Report and Financial Statements

for the year ended 31 March 2019

firstchoice
HOMES OLDHAM

Trusted provider of quality homes, excellent landlord and support services, creating thriving and independent communities

Contents

Non-Executive Directors, Executives & Advisors

Board of Directors

Ged Lucas	Chair	
Matthew Jones	Vice Chair	Resigned 1 June 2018
Pauline Richardson	Chair Audit and Risk Committee	Resigned 30 September 2018
Carl Brazier	Chair Audit and Risk Committee	
Barbara Brownridge	Local Authority Nominee Chair Governance and Remuneration Committee	Resigned 30 May 2018 Re-appointed 1 April 2019
Hilda Kaponda	Chair Governance and Remuneration Committee	
John Carleton	Chair Investment and Development Committee	
Bernadette Callaghan	Co-optee	Resigned 30 September 2018
Mumtaz Ali		
Philip Pearson		
Ronnie Clawson		Appointed 1 October 2018
Amanda Harris		Appointed 1 October 2018
Jean Mira		Appointed 1 October 2018
Ron Smith	Co-optee	Appointed 1 October 2018
Clare Doyle	Co-optee to Development Committee	
Hannah Roberts	Local Authority Nominee	Appointed 1 June 2018 Resigned 17 August 2018
Norman Briggs	Local Authority Nominee	Appointed 3 October 2018 Resigned 28 February 2019

Executive Officers

Vincent Roche	Chief Executive	
David Smith	Executive Director, Customer First and Deputy Company Secretary	
Dave Woods	Executive Director, Homes and Investment	Resigned 22 April 2019
Kieran Timmins	Interim Executive Director, Corporate Services	Appointed 22 January 2018 Resigned 27 April 2018
Chloe Christian	Executive Director, Corporate Services	Appointed 30 April 2018
Peter Hall	Interim Executive Director, Assets	Appointed 28 January 2019
Susan Rudd	Group Company Secretary	Appointed 1 February 2019
Warren Bradley	Company Secretary	Resigned 31 January 2019

Registered Office

First Place
22 Union Street
Oldham
OL1 1BE

Registered Number

Registered Co-operative and Community Benefit Society number 31138R
Registered by the Regulator of Social Housing number 4582

FCHO Executive Team

Vincent Roche
Chief Executive

Executive Director, Corporate Services and Deputy Company Secretary

Executive Director, Homes and Investment

Executive Director, Customer First

FCHO Advisors

Bankers

Barclays Bank Limited
11th Floor
20 Chapel Street
Liverpool
L3 9AG

Solicitors

Trowers and Hamlin
Heron House
Albert Square
Manchester
M2 5HD

Internal Auditors

Mazars LLP
One St Peter's Square
Manchester
M2 3DE

Internal Auditors

BDO LLP
3 Hardman Street
Spinningfields Manchester
M3 3AT

The Report of the Board of Directors

The Board of Directors present their report and audited financial statements for the year ended 31 March 2019.

First Choice Homes Oldham Limited (FCHO)

FCHO ("the Organisation") is formed for the benefit of the community and is a not for profit housing association.

FCHO began trading as a Registered Provider on 7 February 2011 with 11,867 properties transferring from Oldham Metropolitan Borough Council (OMBC) on that date.

On 1 August 2014 the Co-operative and Community Benefit Societies Consolidation Bill was approved by Parliament and from this date FCHO is no longer governed by the Industrial and Provident Societies Act 1965 and is now registered as a Community Benefit Society (registration number 31138R) with charitable objectives under the Co-operative and Benefit Societies Act 2014. FCHO is regulated by the Regulator for Social Housing. Registration number is 4582.

FCHO have a Board of Non-Executive Directors which is made up of between eight and 12 members who oversee the overall running of the company.

New Living Homes Limited (NLH)

On 20 October 2016, FCHO established a subsidiary organisation, New Living Homes Limited (NLH). NLH is a Limited Company, registered with Companies House. Company number 10438384.

NLH is responsible for the future development and build of FCHO's new home development programme. However, for VAT purposes the company stands outside of the VAT Group. NLH does not employ any staff or own any assets.

The Board of NLH is appointed by the FCHO Board and is made up of between three and five Directors excluding Co-optees and are made up of one chairperson, two FCHO non-executive directors and two FCHO officers. NLHs' directors are registered as company directors with Companies House.

NLH met to consider official duties on two occasions in 2018/19.

Review of the Year

The details of FCHO's annual performance and future plans are set out within the Strategic Report that follows the Report of the Board of Directors.

The Board and Executive Officers

The Board and Executive Officers are listed on page 3 and 4 of this report. The Executive Officers are responsible for the day-to-day management of FCHO. The Executive Officers are employed on the same terms and conditions as staff members within FCHO.

The Board is made up of between eight and 12 Non-Executive Directors (including co-optees) as determined by the Board and includes one Local Authority Non-Executive Director. Non-Executive Directors are recruited on a skills-based approach and they have the appropriate range of skills, experience and qualities required to provide strategic direction and monitor FCHO's performance.

The Board met on eight scheduled occasions during 2018/19. In addition there were two Board away days and a further two strategic briefing sessions.

Qualifying third party indemnity provisions

FCHO has qualifying third party indemnity insurance in place for Directors and Officers.

Corporate Governance

The Board is responsible for providing strategic direction, leadership, support and guidance to FCHO and monitoring the performance of the business against its strategic objectives, inclusive of the financial objectives. It approves short and medium-term plans, priorities and monitors the results from these plans.

The Board challenge and scrutinise key performance targets to drive continuous improvement. The Board also defines the Values and sets the Mission Statement.

Board Delegation

In order to operate effectively and ensure appropriate governance in business critical areas, the Board has delegated authority to three committees:

- The Audit and Risk Committee – the Committee met to consider official duties on four occasions during 2018/19
- The Governance and Remuneration Committee – the Committee met to consider its official duties on four occasions during 2018/19
- The Development Committee – the Committee met to consider its official duties on seven occasions during 2018/2019

Audit and Risk Committee

The Audit and Risk Committee contributes to the Board's process for ensuring effective internal controls and risk management. This includes both internal and external audit activities of FCHO and in particular the duties, requirements and guidance set by the applicable regulator.

Governance and Remuneration Committee

The purpose of the Governance and Remuneration Committee is to:

- Ensure that the Board fulfils its legal, ethical, and functional responsibilities through adequate governance arrangements, recruitment strategies, training programmes, monitoring of Board activities and the evaluation of Non-Executive Directors' performance
- Ensure that remuneration arrangements support the strategic aims of a business
- Ensure that the Chief Executive has the skills, competence and capacity to deliver the overall strategy of FCHO, its plans and proposals

Development Committee

The role of the Development Committee is to provide strategic direction and leadership to ensure that FCHO's development programme delivers the outcomes and strategic objectives set by the FCHO Board.

The committee will take an overview of the organisation's development activity, monitor progress against programme and ensure support for the delivery of the asset management strategy.

Employment and Policy

The Board recognises the importance of employee involvement for FCHO success. FCHO had an average of 407 colleagues throughout 2018/19and as at 31 March 2019 there were 397 staff in post, of which 16 declared a disability. The company has a comprehensive range of employment policies supporting FCHO's commitment to its colleagues.

The FCHO Board is committed to equality across the organisation and ensuring that FCHO has appropriate accessibility policies, services and employment practice which reflect the diverse community FCHO serves and recruits from.

Donations

During the year FCHO has made charitable donations to the total of £84,103 (2017/18: £86,795) to various charities and community groups.

Policy on payment of creditors

It is the policy of the organisation to pay its creditors within 30 days.

Regulation 113(7) of the Public Contracts Regulations 2015 introduced the following publication requirements: After March 2016, all in-scope organisations must publish, on an annual basis and covering the previous 12 months, (i) the percentage of their invoices paid within 30-days, (ii) the amount of interest paid to suppliers due to late payment and (iii) the total amount of interest that the contracting authority was liable to pay due to late payment.

The data for financial year ending 31 March 2019 is shown in the following table:-

Financial Year 2018/2019	Proportion of valid and undisputed invoices paid within 30 days in accordance with regulation 113	The amount of interest paid to suppliers due to a breach of the requirement in regulation 113	The total amount of interest that the contracting authority was liable to pay (whether or not paid and whether under any statutory or other requirement), due to a breach of Regulation 113
FCHO	**99.22%**	**£80**	**£323.69**

Modern Slavery Act 2015

FCHO's turnover exceeds £36 million for that period, therefore under section 54(1) of the Modern Slavery Act 2015, FCHO has produced a Slavery and Human Trafficking Statement for the year ending 31 March 2019. The statement can be accessed via FCHO's website (https://www.fcho.co.uk/modern-slavery-and-human-trafficking-statement/).

This statement sets out the steps that FCHO have taken in the 2018/2019 financial year to ensure there is no modern slavery (including human trafficking) in the business or supply chains.

This statement is approved by FCHO's Board and Executive team and will be reviewed and updated as necessary or on an annual basis.

Gender Pay Gap Act 2010

The Equality Act 2010 (Gender Pay Gap Information) Regulations 2017 require relevant UK employers with 250 or more employees to publish information on their gender pay gap.

In 2017, the UK's gender pay gap for all employees (part-time and full-time combined) was 17.9%. This is the official figure used by the Office for National Statistics (ONS). The FCHO Gender Pay Gap report confirms a very positive median gender pay gap of 0% and a mean gender pay gap of 0.14% (https://www.fcho.co.uk/about-us/company-information/).

Internal Control Assurance

The Board has overall responsibility for risk management within FCHO and acknowledges its role and responsibility for ensuring that the organisation has an effective system of internal control and for reviewing its on-going effectiveness. The Audit and Risk Committee are responsible for ensuring effective internal controls and risk management.

FCHO has a Strategic Planning and Risk Management Framework which incorporates the strategic plan, 30-year financial plan, risk management framework and assurance framework. The approach taken ensures a golden thread between Strategic and Financial Planning and Risk Management and integrates assurance which underpins FCHO's internal controls.

The objectives of the framework are:

- Effective delivery of Strategic Objectives via clear and tangible linkages between FCHO's Strategic Delivery Plans, the Financial Plan (30 Year) and Risk Management /Assurance activity.

- Board and officers understand and are informed on these 'clear and tangible' linkages, providing a 'golden thread' approach to the delivery of Strategic Objectives.

- Embed risk management within strategic and investment decision making processes.

- A clear understanding for FCHO's risk tolerance.

- Compliance with the regulatory framework.

This ensures that each strategic objective and associated risks are clearly aligned and supported by FCHO's assurance framework. Assurance is taken from key elements of FCHO's assurance framework.

There are no identified risks to the systems of internal control and basic controls and governance arrangements are in place for all areas.

The assurance framework provides evidence to confirm that the appropriate systems are in place and that these are subject to the appropriate levels of scrutiny for those areas that could have a significant impact on FCHO both financially and reputationally. This is a significant part of FCHO's governance arrangements and whilst every effort has been made to ensure that these controls manage key business risks, it should be noted that risks cannot always be eliminated. Consequently, whilst the Board is satisfied that the existing internal controls provide a substantial level of assurance, such assurance is not absolute.

Other elements of the internal control framework include:

- The organisation has a formally constituted Board and Committee structure supported by a Governing Framework. This includes Standing Orders, Scheme of Delegation and Terms of Reference. These detail the delegated authority for each of its Committees, each of which meet on a regular basis. There is also a Probity, Anti-Fraud and Bribery Policy and a Code of Conduct for Non-Executive Directors and Colleagues of the organisation.

- A comprehensive Non-Executive Director Appraisal programme is carried out with support from an external consultant. A comprehensive induction and training programme is in place to ensure Non-Executive Directors remain professionally updated and have the skills to meet the needs of the business. This is linked with a comprehensive Board and Committee annual appraisal process.

- All business activities are managed through a comprehensive set of policies and procedures.

- FCHO has robust strategic and financial business planning processes, including detailed financial budgets, forecasts and cash-flows. The Management Accounts are reported to the Executive Team monthly and quarterly to the Board and Funders.

- A comprehensive approach to stress testing aligning to FCHO's strategic risk register and assurance activities inclusive of the Assets and Liabilities Register. Stress testing is carried out on an annual basis and also where there are key financial risks identified within the year. This is supported by a comprehensive recovery planning framework.

- Internal Audit is provided by Mazars LLP. The internal audit programme is based on a three-year strategic audit plan. An annual audit plan based on key controls and risks is agreed, monitored and reported to the Audit and Risk Committee. The Board received an annual report from the Internal Auditors which concluded that:

    - FCHO has in place an appropriate framework for identifying, evaluating and managing the significant risks faced by the association.

    - FCHO has an adequate, effective and reliable framework of internal control and effective risk management and governance processes which provides reasonable assurance regarding the effective and efficient achievement of FCHO's objectives, subject to the weaknesses identified in internal audit reports.

    - No instances of actual or suspected fraud have been encountered during audit work.

- From the internal audit work Mazars carried out in 2018/19, there were 14 internal audits completed and these did not highlight any fundamental risks. The majority of recommendations due to be completed in 2018/19 have been completed and signed off by Mazars. External audit is provided by BDO LLP, who review and report in their annual audit management letter, on the effectiveness of existing internal controls that directly relate to the financial statements.

- Over 1 in 3 tenants have responded to touchpoint text surveys over the past 12 months, providing better and more accurate feedback on the performance of service delivery.

Whilst not exhaustive, the above represents the key elements within the existing system of internal controls. Whilst there are areas for development, the foundations of a sound system for control are in place. The assurance framework is supported by the Risk Management framework, providing a full overview of the high level risks facing FCHO, including all forms of assurances provided in relation to the risk such as internal and external audit, performance monitoring and other external forms of accreditation. Key work continues in embedding an integrated risk management culture across FCHO.

In concluding its review, the Board is satisfied with the adequacy of these controls for the year ending 31 March 2019, and for the period to the date of signing the financial statements.

Compliance with the National Housing Federation Code of Governance

FCHO has adopted the National Housing Federation's 2015 Code of Governance (the Code). The Board considers compliance against each of the provisions of the Code on an annual basis. Following this review on 26 June 2019, the Board were assured that FCHO is fully compliant with the Code. To enable continuous improvement, the Board have identified a number of enhancement actions which will further support compliance. The Review included an independent review of the approach to assessment of compliance by the Housing Quality Network.

Compliance with the Regulator of Social Housing's (RSH) Governance and Financial Viability Standard

In April 2018 FCHO underwent an In-Depth Assessment (IDA) with the RSH. The IDA uses a risk-based approach to assess providers' financial strength, risk profile, approach to value for money and their quality of governance.

The regulator confirmed FCHO maintained its Governance rating of G1 and its Financial Viability Rating of V2.

In October 2018, the Regulator of Social Housing (RSH) Governance rating was re-affirmed at "G1" status and the Financial Viability rating was re-affirmed at "V2".

FCHO's Board has assessed its compliance against the Regulator's Governance and Financial Viability Standard. FCHO has developed an assurance model (based on a three lines of defence model) which supports evidencing compliance with the Standard and supports the Codes of Practice (where applicable). The Board were assured that FCHO meets all the requirements of the Standard at the meeting held on 26 June 2019 and this was supported by an independent review of the approach to assessment of compliance by the Housing Quality Network.

FCHO has therefore achieved full compliance with the regulator's requirements of the Governance and Financial Viability Standard.

Statement of Director's Responsibilities in respect of the Non-Executive Director Report and the Financial Statements

Board Members' Responsibilities

The board members are responsible for preparing the report of the board and the financial statements in accordance with applicable law and regulations.

Co-operative and Community Benefit Society law and social housing legislation require the board members to prepare financial statements for each financial year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

In preparing these financial statements, the board members are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice: Accounting by registered social housing providers 2014 have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and association will continue in business.

The board members are responsible for keeping adequate accounting records that are sufficient to show and explain the group and association's transactions and disclose with reasonable accuracy at any time, the financial position of the group and association and enable them to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015. They are also responsible for safeguarding the assets of the group and association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The board is responsible for ensuring that the report of the board is prepared in accordance with the Statement of Recommended Practice: Accounting by registered social housing providers 2014.

Financial statements are published on the group and association's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the group and association's website is the responsibility of the board members. The board members' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Disclosure of information to auditor

The Board of Directors who held office at the date of approval of this Board of Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all the steps that he/she ought to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditor

BDO LLP are FCHO's current external auditors. The Group Board appointed BDO in December 2017 to provide FCHO external audit service for a further three-year contract period commencing from the 2017/18 annual external audit.

The report of the Board of Directors was approved on 7 August 2019 and signed on its behalf by:

Ged Lucas
Chair of the Board

Carl Brazier
Chair of Audit and Risk Committee

Susan Rudd
Company Secretary

Strategic Report

FCHO's Board has prepared a strategic report which includes:

- FCHO's Strategic Objectives and progress
- Financial performance and year-end position
- Performance Indicators and Value for Money
- Employee Involvement and Engagement
- Risk and Assurance

Strategic Direction

FCHO recognises its role and responsibility as a Registered Provider and social business providing social housing within Oldham. FCHO's Strategic Plan outlines its strategic objectives for the next five years and identifies business objectives which have been identified as bespoke priorities for customers and communities.

FCHO has a Strategic Planning and Risk Management Framework in place. This framework outlines the process of setting FCHO's strategic objectives, delivery of the objectives and how the objectives align to risk and assurance, and financial planning (inclusive of stress testing).

FCHO's Strategic Plan includes:

- 'One Message' statement – FCHO's Vision and Mission
- Strategic Objectives which are supported by Enabling Activities
- Operating Environment Review
- Strategic Risk Analysis
- 30 Year Financial Plan (inclusive of stress testing)

FCHO's "One Message" is shown below:

VISION	**Improving lives in Oldham**
MISSION	To be a trusted provider of quality homes, excellent landlord and support services, creating thriving and independent communities
PILLARS	**Building New Homes** **Excellent Landlord services** **Thriving Communities**
VALUES	We Listen We Act We Keep it Simple We Own We Learn We Care

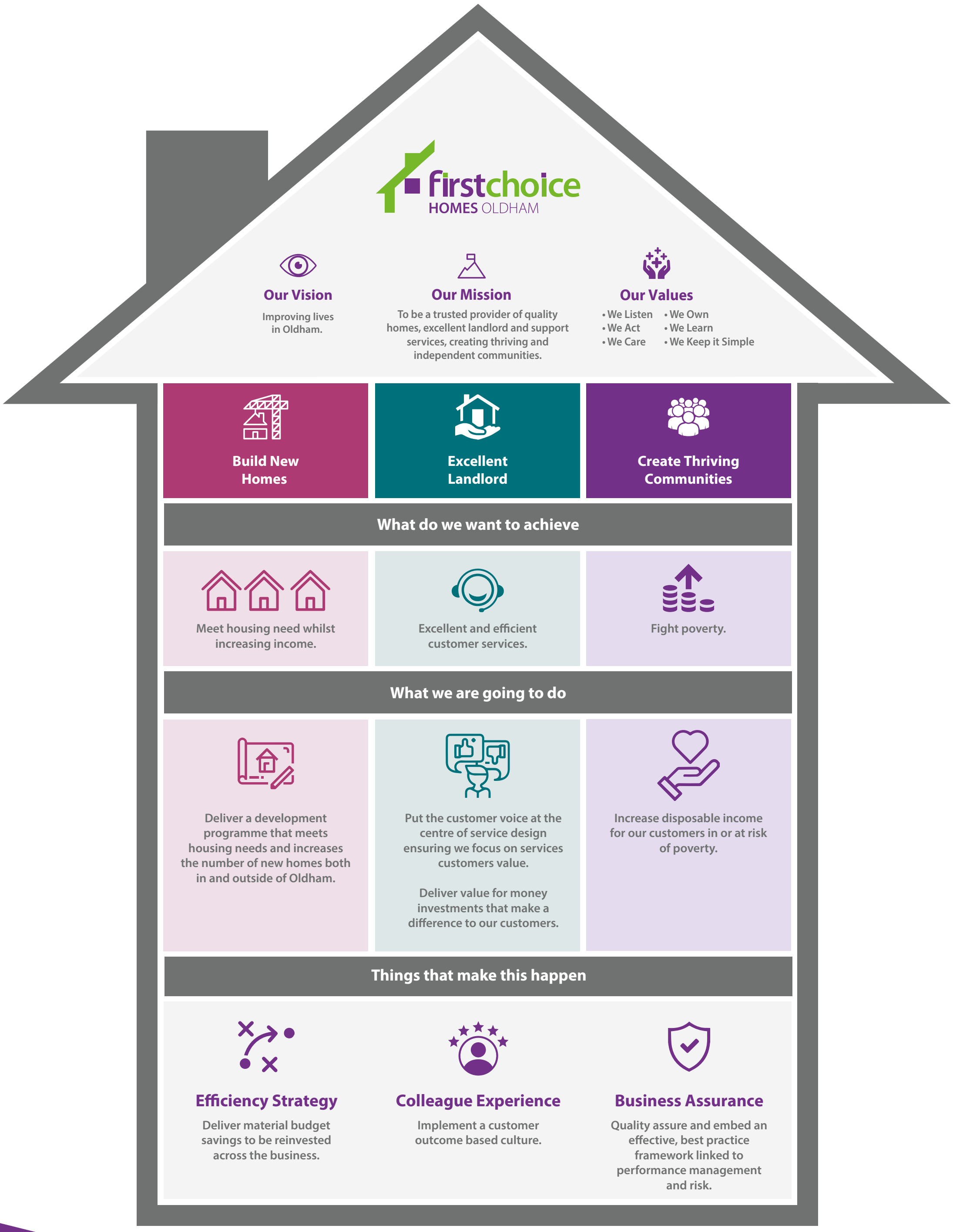
The delivery of the Vision is underpinned by FCHO's Strategic Plan which is reviewed annually by Board.

FCHO recognises the challenging strategic operating environment and the impact on its customers and communities.

Oldham has lower average income levels when compared to the rest of the UK and within Greater Manchester and levels of employment are much lower than national and regional levels.

First Choice Homes recognises the financial pressures its customers and communities are facing, and are committed to making a difference to those of our customers in or at risk of poverty by aiming to and increase their disposable income levels via targeted interventions.

The areas identified above are the focus of FCHO's 2019/20 Strategic Plan objectives.



firstchoice HOMES OLDHAM

Our Vision

Improving lives in Oldham.

Our Mission

To be a trusted provider of quality homes, excellent landlord and support services, creating thriving and independent communities.

Our Values

- We Listen
- We Act
- We Care
- We Own
- We Learn
- We Keep it Simple

Build New Homes	**Excellent Landlord**	**Create Thriving Communities**

What do we want to achieve

Meet housing need whilst increasing income.	Excellent and efficient customer services.	Fight poverty.

What we are going to do

Deliver a development programme that meets housing needs and increases the number of new homes both in and outside of Oldham.	Put the customer voice at the centre of service design ensuring we focus on services customers value. Deliver value for money investments that make a difference to our customers.	Increase disposable income for our customers in or at risk of poverty.

Things that make this happen

Efficiency Strategy

Deliver material budget savings to be reinvested across the business.

Colleague Experience

Implement a customer outcome based culture.

Business Assurance

Quality assure and embed an effective, best practice framework linked to performance management and risk.

FCHO's Strategic Objectives and Enabling Activities are identified in the table below, along with how the Board will measure delivery of these operations:

Business Area	Strategic and Enabling Objective	Measured By
Landlord	Excellent Landlord Services	**Customer Satisfaction** KPIs for all Landlord services.
Communities	Create Thriving Communities	**Employment:** number of customers we support into sustainable employment, (i.e. still in employment 6 months after we have supported them into a permanent job) **Poverty reduction:** this is a new initiative due to be introduced in 2019/20, covering a range of services from food support to reducing energy costs. Development of success measures and outcomes are currently in progress.
Development	Build New Homes	Number of new homes built or acquired
Enabling: Right First Time Services and maximising our use of resources		
People	Developing a people centric high performing organisation delivering an outstanding colleague experience	**Delivery of:** • Safe Homes • Strategic Objectives; • Maximising Income KPIs; Rent Collection & Void Loss • Targeted financial savings
Value for Money & Risk	Using our resources in the most efficient and effective manner. Taking advantage of strategic opportunities via effective risk management.	

2018/19 Summary

2018/19 has been a positive year for FCHO, with a number of key achievements across its key strategic objective focus areas, against a challenging background of reducing rent levels and increased welfare reform impacts.

FCHO has seen its number of customers on the Full Universal Credit (UC) Service stabilise and as at March 2019 there were circa 2,700 (23% customers) in receipt of direct payment. FCHO has put in place a number of interventions designed to support its customers to pay their rent. As at March 2019 the income collection performance achieved was outstanding with an overall collection rate of 100.07%.

FCHO is committed to the delivery of "Excellent Landlord" services, however recognises its role as more than a landlord, and central to its strategic objective to "Create Thriving Communities" is FCHO's range of support services to benefit customers by improving their financial resilience by increasing disposable income levels, employment prospects and quality of life.

Customer Engagement is vital in improving FCHO's landlord services and FCHO have increased focus on understanding the customer experience for a range of front-line services. As a result of this customer insight, there are significant and sustained improvements to customer satisfaction across all its key customer services.

As a key strategic objective to deliver new homes, as at March 2019 there were 226 new homes on site and in progress and 27 homes completed by 31 March 2019. At the end of the second year of the development programme the grant drawn-down is £5.750m.

A key feature of 18/19 and the coming year is to focus on increasing land opportunities and sites across Oldham and adjoining areas to support FCHO's future Development Programme.

On 27 June 2018, FCHO concluded the re-financing of its loan facility with Santander increasing its current loan facilities from £55m to a total of £95m. The re-financing supports FCHO to fund its ambitious five-year development programme.

Following a detailed review of its five high rise tower blocks, considering both customer housing need and future financial viability, FCHO took the decision to significantly invest in re-modelling three tower blocks and to demolish the remaining two blocks. The process to decanting customers in the two blocks commenced in October 2018 with the demolition of the blocks due to take place in 2020/21.

Financial Performance of the Year ended March 2019

Following completion of the stock transfer offer document promises, FCHO continues to meet 100% decency of its stock. Future investment works over the next three years will be focussed on completing its environmental improvements, external work and tower block refurbishments. FCHO has implemented an external works framework to maximise resources to deliver the programme. Other investment works are subject to an OJEU tender process on either a work-stream or scheme-by- scheme basis. This will ensure there is a strong competitive element to the award of work.

In relation to property sales, a Right to Buy Sharing Agreement with OMBC was agreed at the point of stock transfer. Under this agreement, OMBC receive all sales income from Right to Buys for the first twenty-five years and FCHO will retain the Net Income Foregone which ensures that FCHO's financial plan is left in a neutral position. After twenty-five years all receipts shall be retained by FCHO.

FCHO have an approved VAT Shelter for 15 years post stock transfer and as a result VAT incurred on the Regeneration Programme will be recovered. As part of the stock transfer agreement the initial first tranche of £15.913m was retained by FCHO and from December 2015 the VAT Shelter balance is shared with OMBC under the 50/50 sharing agreement. Further details on the VAT Shelter are included in the accounting policies. The accounting policies applied are shown on pages 41 to 46.

With regard to FCHO's main activity, (the letting, management and maintenance of rented housing), the turnover was £49.826m with an operating surplus of £10.272m. FCHO made a surplus for the year of £7.538m before taxation. In 2018/19, 77% of investment work is capitalised with the remaining work expensed through the Income Statement.

The main factors contributing to the reduced surplus this year are as follows:

- Impairment of £2.457m recognising the write off in value following the decision to demolish two tower blocks later in 2020/21.
- Increase in major repairs expenditure of £1.243m relating to additional works and home loss costs relating to the demolition of the tower blocks.
- Increase costs on responsive, void and planned works of £1.113m.
- Reduced rental income of £0.844m relating to the further 1% rent reduction and reducing properties due to Right to Buy (RTB) and Right to Acquire (RTA).
- Increase in interest costs of £0.326m partly due to the early repayment of one of the loans.

Financial Highlights are included for the year 31 March 2019

Consolidation	2019 £'000	2018 £'000
Income and expenditure account		
Turnover	49,826	50,326
Operating costs	(41,206)	(34,870)
Surplus on disposal of fixed assets	1,652	1,988
Operating surplus	10,272	17,444
Surplus for the year after taxation	7,538	14,986
Balance Sheet		
Housing properties net of depreciation	131,115	106,857
Other tangible assets	10,265	9,572
Net current assets	83,932	116,649
	225,311	233,078
Creditors due after one year	37,753	40,866
Provisions - Pension Liability & VAT Shelter	104,821	111,180
Revenue Reserve	82,737	81,032
	225,311	233,078
Operational indicators		
Total housing stock	11,445	11,484
Arrears of rent and service charges as a % of Rent Debit	2.24%	2.65%
Total Loans due in 5 years or more	25,500	32,000
Operating Margin	21%	35%
% of non-decent homes	0%	0%
SAP rating	72	72

Performance Indicators and Value for Money

Performance Management Framework

FCHO manage performance through a Performance Management framework that supports delivery of the Strategic Objectives, provides data to inform strategic decisions and is underpinned by its assurance framework.

The Board have set a framework that include specific indicators that monitor the organisations strategic objectives and financial performance, supported by its operational assurance activity.

FCHO Board has set its own key performance indicators to monitor performance and ensure the strategic objectives are being met, information to improve services, drive VFM and ensure FCHO are maximising the return from all its assets.

The framework sets out how FCHO monitor, challenge and improve performance in all of the service areas and it details how data, management information and business intelligence will be gathered, recorded, reported and used to develop the services to customers.

The framework is reported through an online reporting system, Pentana. In addition there are also a number of real time operational dashboards and management information reports in place which are accessible on-line via Microsoft Power BI.

The framework is supported by Directorate operational management assurance framework. The assurance reports are reported to the Leadership team as well as the Board and other Committees within FCHO.

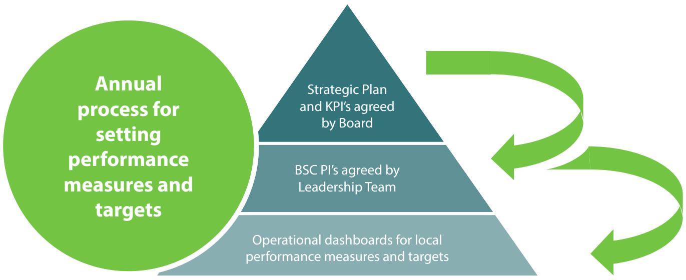
The assurance reporting seeks to identify where operations are effective and also provide an early warning indicator, identifying where potential operational risk may increase in certain business areas if assurance activity is not implemented.

The assurance Framework underpins the Strategic Plan and all strategic risk management activity. The assurance framework ensures that FCHO:

- Demonstrates compliance with regulatory, legal and funders requirements.
- Ensures effective Strategic Planning and delivery operations.
- Supports operational performance enabling delivery of FCHO's Strategic Objectives.

Indicators are split into three different categories:

- **Board level - Key Performance Indicators (KPI):** A set of indicators covering the whole organisation reported to Board to provide a health check of the organisation and help the Board guide the strategic direction of the organisation. The KPI targets demonstrate a tangible route map to delivery of the Strategic Objectives.
- **Leadership level – Balanced Scorecard Performance Indicators (BSC PI)**: A set of Financial and Non-Financial indicators that provide an in-depth review of the organisation's activities inclusive of assurance.
- **Operational Dashboards - Team / Directorate Performance Indicators (MI):** Used by team / service area managers or members of the Leadership Team to monitor information about the service that they provide.



Improvement and intervention

Performance indicators are used to enable continuous improvement and targeted intervention where necessary. The following traffic light rating system is applied, alongside trend information.

Red = Outside pre-defined target tolerance

Amber = Within pre-defined target tolerance

Green = Achieving or exceeding the target set

The table below sets out KPI results for FCHO in 2018/19. Performance has been very positive throughout the year with four out of the six targeted indicators exceeding or achieving targets. For two targets that were not achieved, Void Loss and Satisfaction with Landlord services, there were action plans put into place during the first half of the year to improve performance and the target was achieved for the remaining six months of the year.

KPI	2017/18		2018/19		Trend
	Target	Outturn	Target	Outturn	
% of Customers satisfied with Landlord services	81.00%	78.00%	81.00%	79.00%	↑
% of Customers satisfied with Responsive Repairs	90.00%	91.00%	90.00%	91.60%	↑
Number of customers into sustainable employment	120	159	159	223	↑
Number of new homes	n/a	n/a	56	27	↑
% Rent Collected	99.60%	99.22%	99.70%	100.07%	↑
% Rent Loss due to voids	0.80%	0.69%	0.60%	0.72%	↑

Value for Money

In April 2018 the Regulator of Social Housing (RSH) issued a new Value for Money Standard (VFM) with a supporting Code of Practice. The VFM Standard requires providers to report on a suite of seven key VFM metrics; this new reporting requirement replaces the publication of a VFM self-assessment within the annual strategic report.

FCHO has its own financial, strategic and operational targets in place for measuring performance and achieving VFM in the delivery of the strategic objectives and further details of these are shown from page 21.

As well as the VFM metric financial performance, FCHO uses both national and local financial benchmarking data in assessing whether the financial performance can be considered to be above, below or within the average range in comparison to similar housing associations.

Regulator of Social Housing VFM Metrics

FCHO's performance against the RSH VFM metrics compares its prior year, current financial performance and the future direction of travel. FCHO's metrics are provided in the table below which compares its financial performance with the RSH 2017/18 Global Accounts for all housing providers and also more locally, North West Large Stock Voluntary Transfer's (LSVT) 7-12 years old.

VFM Metric		FCHO Data					Future direction of travel to peers	FCHO 2018/19 v Global Accounts All Providers Quartile Performance	FCHO 2018/19 v Global Accounts NW LSVT 7-12 Years Quartile Performance
		2017-18 Actual	2018-19 Actual	2019-20 Forecast	2020-21 Forecast	2021-22 Forecast			
1	Reinvestment %	13.99%	22.33%	22.67%	31.18%	19.30%	↓	Upper	Upper
2	New supply delivered %	0.02%	0.18%	1.40%	1.29%	4.60%	↑	Lower	Median
3	Gearing %	9.40%	9.29%	11.55%	29.51%	33.06%	↑	Lower	Lower
4	EBITDA MRI %	310.59%	(20.74%)	239%	131%	324%	↑	Lower	Lower
5	Headline social housing cost per unit (£)	3,637	4,151	3,973	4,031	3,363	↓	Median	Upper
6a	Operating margin social housing lettings %	29.86%	16.84%	21.09%	21.64%	26.74%	↑	Lower	Lower
6b	Operating margin overall %	30.71%	17.30%	22.00%	21.68%	29.42%	↑	Lower	Lower
7	Return on capital employed %	7.48%	4.56%	7.96%	5.56%	6.85%	↑	Median	Lower

2018/19 Review - VFM Metrics

The reinvestment metrics continues to be upper quartile. There has been strong performance in 2018/19 due to the first full year of investment in developing new housing stock (226 new homes on site as at March 2019). In addition FCHO has continued to significantly invest in its existing properties inclusive of the additional costs of decanting customers from the two high rise tower blocks that will be demolished in 2020/21.

In previous years FCHO has had historically low levels of development as the initial focus has been to invest and deliver the required investment in its current housing stock and the first completions of the new development strategy were relatively low in year – 0.18% new supply delivered. FCHO is on target to build over 800 new units over an initial 5 year period and this metric will increase as more units are completed. (4.6% in 2020/21). FCHO compares well with other local LSVT providers who have completed their initial stock transfer promise period and this will continue as part of the development strategy.

FCHO has relatively low levels of gearing and in 2018 FCHO increased its loan facility to £95million. The increase supports delivery of the development strategy over the coming years. Gearing is expected to increase to 11.55% in 2019/20 and is forecast to continue to increase in-line with the levels of planned development. Gearing is projected to increase to 33% over the next 4 years providing a good level of potential future capacity. FCHO compare well with its peers and demonstrates a strong financial base to continue to develop new homes over a longer term period.

In previous years FCHO has historically demonstrated an upper quartile EBITDA MRI and median quartile operating surpluses and Headline Social Housing costs.

The 2017/18 RSH Global Accounts review noted that this was the first time the RSH had seen reduced operating surpluses. This was attributable to rising costs (increases in management and maintenance expenditure) and reducing income levels (due to the rent reductions). 2018/19 saw the third year of the four 1% rent reduction, further reducing income levels.

FCHO's turnover reduced by circa £0.840m due to both the 1% rent reduction and also reducing stock numbers as a result of property sales (Right to Buy/Right to Acquire).

The reduction in income levels as well as a number of "one off" items has significantly impacted the remaining VFM metrics resulting in lower/median quartile levels when compared to their peers. The key areas are:

- **Tower Blocks** – following the decision to demolish two tower blocks in 2020/21, this has resulted in circa £3m of additional costs in 2018. £2.5m relates to the impairment of the blocks with a further £0.5m of costs funding customer decant and homeloss costs. The demolition of the two tower blocks will improve the long term financial position of FCHO as these blocks were not financially viable over a 30 year period.

- **Responsive and Void Costs** – In 2018/19 there was a significant increase in the Repairs and Void Work costs. The increase in void work costs were mainly due to improvements in the void standard following customer feedback on the quality of condition of home. The key area of focus in 2018/19 is on managing the repairs and void costs and a number of interventions targeted at both short and medium cost reductions have been implemented in Quarter 1 2019/20.

- **FRS102 Pension Costs** – There is a £1.9m pension adjustment which is a non cash technical adjustment and influenced by a range of factors making it difficult to compare/ benchmark costs. It is recognised that FCHO's peer comparisons will also likely incur FRS102 pension adjustments.

- **Interest Costs** – In 2018/19 FCHO repaid a fixed rate loan ahead of the repayment date incurring a breakage cost of £0.4m. This impacts the EBITDA MRI ratio although will provide future interest savings in 2019/20.

Due to these impacts the current year EBITDA MRI and operating surpluses metrics do not compare favourably with other providers. The projected future metrics demonstrate a positive direction of travel with the EBITDA MRI at circa 320% in 2021/22 supported by increased operating surpluses due to increasing stock numbers and rent levels. This demonstrates a robust financial position for future growth and services to existing customers.

The Headline Social Housing Cost metric supports a better understanding of the key cost drivers allowing FCHO to compare cost areas with its peers. The table below provides a more detailed analysis of the key cost areas comparing to median quartile levels.

Consolidated Group Level - Benchmarking	Headline Social Housing CPU	Management CPU	Service Charge CPU	Maintenance CPU	Major Repairs CPU	Other Social Housing CPU
FCHO 2018/19	4,151	1,038	319	892	1,653	249
All Providers - Median	3,397	974	389	964	652	75
Peer Group - Median	2,910	971	190	724	641	137
FCHO 2021/22 - Forecast	3,364	1,108	290	787	1,107	71
Peer Group : North West LSVT 7-12 Years (Peer and All Providers - Global Accounts 2017/18)						

The table above demonstrates in the majority of cost areas FCHO compares favourably to its peers and is median quartile. However this indicator is heavily influenced by FCHO's major repairs investment and the increased investment as a result of tower block expenditure incurred in 2018/19.

FCHO invested £19 million in 2018/19 in major repairs as part of the first phase of the post transfer promise period and inclusive of the additional tower block costs. This is upper quartile in terms of costs and a clear outlier which correlates with the reinvestment metric noted above.

Planned maintenance costs include Responsive, Void and Cyclical and Compliance Cost and in 2018/19 increased its Health and Safety compliance costs by moving from a 10 year Electrical testing programme to a 5 year programme by April 2019.

Other Social Housing – this cost predominantly relates to the current Housing Advice and Welfare Advice contract in place with Oldham Council which is recharged in full. This contract ends on 30th June 2019 and will be removed from future years HSHC metrics.

Return on Capital Employed – FCHO has an existing VAT Shelter which impacts this metric. FRS102 required associations to state both a current debtor and long term creditor for the full works VAT shelter amount (regardless of the sharing agreement). As this indicator takes the current assets this considers the VAT Shelter debtor which for FCHO is £76m; it does not take into account the corresponding long term creditor. If the VAT Shelter is excluded then the metric would be 6.9% comparing well with peers – All providers median is 4.08% and LSVT 7-12 years North West is 7.44%.

2019/20 - Next Steps

FCHO also recognises its significant current and future investment in its existing housing stock. Although expenditure will reduce in 2020/21, the costs are still projected to remain in the upper quartile levels. In order to ensure FCHO is maximising its resources effectively its will be reviewing its asset management strategy based on the current asset insight data. This approach will inform future asset spend levels ensuring the quality of its homes meet customer need, protects the asset value, and provides value for money.

In 2019/20 a number of intervention both short and medium term have been implemented to ensure effective management and control of the Repairs /Voids expenditure and Investment Works in our existing stock.

As part of the 19/20 Efficiency Strategy approach there are a number of areas targeted for cost reduction. The actions are aimed at targeting where resources are not delivering customer value. The aim is to reduce management and service costs in 2020/21.

Overall the future direction of the medium term VFM metrics is positive. In 19/20 the EBITDA MRI increases to upper quartile levels. Although the operating surplus increases from 18/19 it is expected to remain lower quartile as a result of the final year rent reduction and increased costs. In addition in 19/20 there are also high levels of planned investment works as the three tower block investment projects commence and the remaining two tower blocks are decanted in full. Post 2020 the metrics overall are forecast to improve, mainly due to increased rent levels post 2020, stabilising rent collection levels (post UC managed migration) and the increased stock numbers due to the development programme.

FCHO is part of a group of four North West LSVT housing providers (stock over 7,500), the group is aiming to review and compare the RSH VFM metrics and the supporting performance indicators to fully understand and learn from each other on the provision of services to the customers. The focus of the group is to review headline social housing cost drivers, operational performance, share best practice and work to improve the services and return on assets.

Value for Money - First Choice Homes Oldham

FCHO's Strategic 30 Year Financial Plan and Objectives are reviewed annually. Providing VFM is integral to achieving these objectives and FCHO regularly reviews its approach to VFM to support this.

FCHO Board has set its own key performance indicators to monitor performance and ensure the strategic objectives are being met and uses this information to improve services, drive VFM and ensure FCHO are maximising the return from all its assets. The VFM assessment is summarised below:

Indicator	Measurement
🟢	**Performance is at target and demonstrates a positive direction of travel.**
🔴	**Targeted performance not achieved and improvements required in direction of travel.**

Details of the progress made against these improvement areas can be found within the updates on each of three "Strategic Objectives" and supporting Value for Money and Risk objective (inclusive of People) commentary.

FCHO previously used its own financial metric - Operating Surplus per unit. Following the introduction of the RSH VFM metrics, this indicator will only be solely as an internal measure of financial performance aligned to asset performance and the focus will be the VFM metrics.

Strategic Objective - Excellent Landlord Services

Excellent Landlord	2018/19 Target	2016/17	2017/18	2018/19	VFM Assessment	Targets 2019/20
Customer satisfaction of all responsive repairs to all FCHO properties	90%	91%	91%	91.60%	🟢	87%
% of properties with a gas safety certificate	100%	100%	100%	100%	🟢	100%
% of tenants satisfied with overall landlord services	81%	81.87%	78%	79%	🟠	81%

Customer Satisfaction across all touchpoint areas has been a key focus in 2018/19 and as at March 2019, over one in three individual customers (over 4,000) have responded to a survey providing feedback and insight on services across Access/Product/Colleague.

FCHO has introduced dedicated Customer First teams aimed at using the customer insight to increase satisfaction and as at March 2019 all satisfaction scores across the touchpoints had increased by over 10%.

The Repairs satisfaction has remained consistently high ending the year at 92%.

Although FCHO has continued to collect the landlord satisfaction and set a target for 2018/19, the primary focus has been to understand how the touchpoint surveys correlate with overall landlord satisfaction and there is a clear correlation with landlord satisfaction at the target level for the last 6 months of the year.

Touchpoint	17/18 Year End	Q1	Q2	Q3	Q4	18/19 Year End	Improvements YTD vs 17/18 year-end
Overall Landlord	78% (1200)	75% (300)	75% (332)	81% (300)	80% (300)	79% (1232)	+1.5%
New Tenancy	76% (101)	77% (30)	85% (28)	92% (51)	94% (32)	88% (141)	+12%
Contact Centre	75% (1133)	81% (486)	81% (499)	88% (754)	88% (922)	86% (2661)	+11%
Responsive Repairs	91% (2957)	91% (750)	93% (750)	95% (583)	86% (398)	92% (2481)	+0.6%
Estates: Block Cleaning	60% (580)	61% (276)	62% (40)	71% (462)	72% (439)	69% (1217)	+9%
Estates: Grounds	57% (as above)	56%	63%	71%	73%	68%	+11%

Asset Management - Return on Assets

Tower Blocks

In March 2018 the Board started to consider the future investment and viability of the five tower blocks as these were under-performing financially and required significant additional long term investment. A detailed options appraisal was carried out which considered the long term viability for each block inclusive of housing demand, turnover, and customer satisfaction as well as the short, medium and long term financial investment levels. In October 2018 the Board approved retaining and investing in three tower blocks and demolishing the remaining two blocks using the land to re-develop much needed affordable family homes. In the longer term this will further improve the operating surplus and make a difference to the provision of services to the communities.

Asset Management

In 2016/17 FCHO introduced its own Active Asset Management database. This provides FCHO with the capacity to analyse FCHO's Operating Surplus per Unit over every individual property, and this can then be aggregated to review property types and sizes and neighbourhood area.

There has been a focus on properties with high repair and void costs. A series of targeted interventions have been designed to be implemented in Quarter 1 2019/20 which include high repairs interventions on properties with repairs in excess of £800 per year. Void interventions aimed at reducing costs supported by increased tenancy management and enforcement supported by enhanced repairs and voids order book reporting.

Given that unlike the Tower Blocks there is no concentration of lower decile performing assets in one block or estate, and these properties also have a low open market value (circa £40k each) combined with low incomes in central Oldham. This provides limited opportunity to increase income or develop different tenures therefore the focus is on decreasing costs through turnover and repairs and voids.

Major Works Investment in FCHO properties

Since stock transfer FCHO has invested over £155 million in improving the housing stock and external environment of its communities.

In 2018/19, FCHO has procured and delivered £18.0 million of works, analysis of which is provided below:

	2018-19		Total 2011-18	
	No. of units	(£)	No. of units	(£)
Environmental		7,154,432		28,206,387
Kitchens	300	1,112,509	8,761	29,967,064
Bathrooms	437	1,171,472	6,313	15,121,123
Adaptations		310,715	1,080	6,756,804
Doors Windows etc	4,434	1,372,743	11,173	5,818,794
Heating & Wiring	631	1,149,758	12,521	19,490,949
Fees		1,081,497		12,003,882
Asbestos		1,147,131		11,998,932
Other major works		3,462,261		25,590,237
Sub total		**17,962,519**		**154,954,172**

FCHO is reviewing the Asset Management strategy and ensuring future asset investment is based on asset insight data designed to protect the asset, meet customer need and ensure quality of homes.

Strategic Objective - Creating Thriving Communities

Create Thriving Communities	**2018/19 Target**	**2016/17**	**2017/18**	**2018/19**	**VFM Assessment**	**Targets 2019/20**
FCHO Employment Service – Number of sustained employments (over 6 months)	159	44	159	223	N/A	200

A vital focus for FCHO is to support its customers and communities and in previous years FCHO has focussed on health, place-based services and supporting sustainable employment.

It was originally envisaged that the health and place-based pilots would been upscaled by 2018/19, however these has been challenging to deliver with partners and there have been a reduced focus in these areas. FCHO does however continue to part fund two healthcare services Hospital2Home and A&E2Home in partnership with the Oldham Clinical Commissioning Group.

FCHO's housing need review highlighted the challenges of poverty within Oldham and initiated FCHO's focus on designing and resourcing interventions aimed at increasing disposable income for customers either in poverty or at risk of poverty.

FCHO wants everyone to live in a home they can afford and have widened their support to have a bigger impact within the community. In 2019/20 the expanded setup of the Community Impact Team over five area based central hubs will provide customers with critical support and access to new services aimed at increasing net disposable income offering support on key necessities such as food, energy, benefits, sustainable employment and income management.

There will be measurable performance targets and monitoring to ensure the impact to the community is real and makes a difference to people's lives.

In 2018/19 FCHO has continued to concentrate on issues of low employment and financial hardship taking of proactive approach to create its Directions Employment Service supporting customers towards financial independence by finding suitable and sustainable employment.

The internal employment service Directions has continued to deliver and sustain employment opportunities for its customers in Oldham and in 2018/19 the team achieved 223 employment outcomes that were sustained for six months, exceeding their target of 159 for the year.

Strategic Objective - Build New Homes

In 2017/18 FCHO'S Board approved a five- year development programme to deliver 820 new homes at a cost of circa £103million and initially the focus was to develop these homes within Oldham.

The Board have reviewed this approach taking into account the current land availability and complexity of sites within Oldham and revised the Development Strategy to include developing in neighbouring local authorities and delivering mixed tenure sites. This will allow substantially more sites to be available for FCHO to ensure they are maximising their impact on housing need supporting a range of housing tenures and needs.

FCHO have also invested in the development resources increasing its Land and Planning team to allow the new operating areas opportunities to be reviewed and secured to deliver the current programme and secure land opportunities to deliver the programme beyond.

The 2018/19 year-end outturn position delivered 36 additional starts on sites and 27 practical completions. As at March 2019 there were 226 homes on site and in development and a further 300 homes are planned to start on site in 2019/20 with over 40% outside of the borough.

FCHO has also diversified its tenure offer to include shared ownership and outright sale products. The approach to these tenures was agreed by FCHO's Board early in 2018/19 and has resulted in sites being secured on this basis.

Enabling Activities

FCHO continues to deliver its strong financial strategy and had previously implemented all savings required to meet the rent reduction.

The following table provides an analysis of "Enabling" VFM KPIs, followed by further details on some of the key areas of work in this part of the business.

Excellent Landlord	2018/19 Target	2016/17	2017/18	2018/19	VFM Assessment	Targets 2019/20
Rent Collection	99.7%	100.12%	99.22%	100.07%	🟢	99.70%
Rent loss to voids	0.60%	0.77%	0.69%	0.72%	🟠	0.70%
Number of days lost through sickness	8.33	10.80	9.12	9.93	🔴	8.33

Rent Collection
FCHO has continued to deliver high-performing rent collection against a challenging backdrop for 2018/19 with the roll out of Full Universal Credit (UC).

In April 2017, Oldham moved to the "Full" UC service resulting in a significant increase in claimants and at March 2019 over 2,700 customers (23%) were in receipt of Full UC.

The 2018/19 Rent Collection target was set based on FCHO's previous experience of Live Universal Credit both in terms of customer numbers and collection rates. In 2018/19 FCHO invested in a bespoke automated low arrears system aimed at re-directing resources to support customers on the Full UC service.

The improved business intelligence reporting allowed the team to maximise income with a focus on supporting customers to manage the transition to UC, by encouraging them to get a month ahead in their rent. The year-end collection rate was 100.07%.

The amount of rent lost to voids increased in 2018/19 and as of March 2019 the rent loss due to voids was 0.72%. The increase was attributable to an increase in the turnaround time due to higher cost voids. This position improved by year end. A new void intervention is due to be put into place by Quarter 1 19/20 aimed at reducing void turnaround times.

Employee sickness is above target and work continues to focus on health and wellbeing activities and strategy and the link with absence management and training for managers to deal with absences.

VFM Future Plans – 2019/20

FCHO's future areas of VFM focus in 19/20 include:

- Continue to deliver increased customer touchpoint satisfaction across all areas
- Implement new Customer Engagement Strategy
- Efficiency Strategy focussed on:
  - Re-design and re-focussed Neighbourhood Services
  - Review of Grounds Maintenance/Caretaking
  - Void/Repair interventions – increasing the financial performance of our stock
- Development of Asset Insight Approach to future investment in existing stock
- Launch of new Community Impact teams based in local hubs aimed at increasing disposable income for our customers
- Development of Customer Access Strategy – aimed at delivering better access for our customers and increased efficiencies
- Develop new Colleague Performance Management Framework aligned to deliver outcome focussed VFM services

Risk and Assurance

Each risk within the risk register is analysed and prioritised in terms of likelihood and severity and inherent risk. The register identifies the existing controls and further controls in development to mitigate the risk. Once mitigations are factored in, the score is re-calculated and a residual risk score provided.

All risk and risk movements are reported quarterly to the Audit and Risk Committee for assessment and monitoring. The Board are provided with a six monthly Strategic Objective progress report aligning strategic risk and assurance as well as an annual report to the Board on the key risk register changes.

As at March 2019 there were 9 strategic risks identified within the register. All operational risks are supported by FCHO's assurance framework. The three strategic objectives and the associated risks with the areas of supporting assurance are shown below:

Strategic Objective - Excellent Landlord Services

Key Risks

Improved Customer experience	12
Ineffective business operations	12
Ineffective asset management	12
Welfare Reform	12
Failure to develop staff	9
Diverse Housing Services	9
Tower Block Project	12

Key Sources of Assurance

Asset Management	●
Health and Safety	●
Regulator's Consumer Standards	●
Customer Excellence	●
People	●

Strategic Objective - Create Thriving Communities

Key Risks

Unable to maximise partnerships	16
Failure to develop staff	9
Diverse Housing Services	9
Welfare Reform	12
Ineffective business operations	12
Tower Block Project	12

Key Sources of Assurance

Customer Excellence	🟠
People	🟢
Asset Management	🟢

Strategic Objective - Build New Homes

Key Risks

Ineffective asset management	12
Failure to develop staff	9
Unable to maximise partnerships	16
Development - Housing Need	16
Welfare Reform	12
Ineffective business operations	12

Key Sources of Assurance

Development	Asset Management	People
🟠	🟢	🟢

Enabling activities: Efficient business with well performing homes and great people that knows its customers

Key Risks

Improved Customer experience	Development - Housing Need	Failure to develop staff	Ineffective Asset management	Diverse Housing Services	Ineffective business operations
12	16	9	12	9	12

Key Sources of Assurance

People	Asset Management	Income Collection	Regulator’s Economic Standards
🟢	🟢	🟢	🟢

The year-end strategic risk score analysis is shown below:

Risk Exposure	Risk Score	Number of Risks
Outside of control – Very High	21 - 25 (outside of control)	0
Very High	21 - 25	0
High	16 - 20	2
Medium	12 - 15	5
Low	6 - 11	2
Very Low	1 - 5	0
Total		**9**

The key risks scored over 16 (high and above) within the risk register are shown below:

Risk	Risk Mitigations/Processes in place
Failure to maximise our impact on meeting housing need via the development programme	This risk score was increased to reflect the risk to delivery of the development programme. In order to mitigate the risk, FCHO has increased its staffing resources to focus on land acquisition both in and outside of Oldham
Unable to maximise full partnership opportunities limiting impact on community and new build strategy	This risk rating reflects the importance of partnerships on the achievement of strategic objectives. The 19/20 approach mitigates this risk by focussing at delivering local partnerships that demonstrate a positive impact on the communities within Oldham.

Employee Engagement

FCHO has a strong commitment to maximising its resources toward delivering the strategic goals and ensuring the organisation has the right people with the right skills in the right places at the right time.

Colleague engagement and development is at the forefront of the people approach and in 2018/19 FCHO appointed a new Assistant Director of Organisational Development with responsibility for Marketing and Communications to align the Customer and Colleague experience. The strategy will focus on:

- Performance Management Framework;
- Skills Audit;
- Colleague Training and Development Plan;
- Customer Communication Strategy; and
- Reward and Recognition Strategy.

Work has primarily concentrated on the organisation's Performance Management Framework, ensuring this is aligned to delivering customer value and improved service performance.

FCHO are also focussing on linking the Wellbeing approach to target and support reducing absence and responding to colleague feedback as the three top 3 reasons for absence for the last 3 years have been mental health, musculoskeletal and 'other'.

FCHO undertook a range of activities this financial year including the following:

- Retained the Gold Investors in People Accreditation.
- Retained Investors in People Health and Wellbeing Award.
- The hire of a permanent Assistant Director of Organisational Development to lead culture change and drive a high performance organisation.
- Live Well, the organisations health and wellbeing programme, delivered a number of successes including on-site yoga and complimentary therapies, on-site occupational health clinics, and the promotion of Mental Health Awareness Week.

2019/20 will see a greater focus on how FCHO manage and utilise the people assets through a revised approach to People and Organisational Development which are outlined within the People and OD strategy, The strategy sets clear areas for action which focus on three principle themes to collectively maximise, support and develop the workforce to achieve the mission of 'Improving Lives in Oldham'.

Pension Costs

FCHO has admitted body status to the Local Government Pension Scheme (LGPS) and contributes via the Greater Manchester Pension Scheme. The Scheme is a final salary pension scheme. FCHO contributes 19.7% of pensionable pay and this is the final year of the three year period with the tri-annual valuation outcome confirming a 1% increase per year for the next three years.

In October 2015 FCHO closed LGPS scheme to new employees and all new employees are offered the option to enrol in a defined contribution scheme.

Corporation Tax

FCHO has charitable status and therefore there is no estimated tax liability for the current year.

Capital Structure and Treasury Policy

To support the delivery of FCHO's Treasury Management Policy and Strategy, a set of Treasury Management Procedures was developed and approved by the Board in April 2019. FCHO's policy is to retain minimum cash whilst ensuring sufficient funds for the refurbishment programme are available. A process is in place to enable cash-flow forecasting and is used to continually monitor future borrowing requirements.

The borrowing strategy, which is approved annually by the Board, aims for between 60-80% of drawn funds to be fixed rate. This will reduce exposure to any future interest rate increases and create a degree of guarantee over future interest payments.

Loan Facilities

FCHO completed a refinancing exercise in June 2018 which increased its loan facilities from £55m to £95m. FCHO is currently solely funded by Abbey National Treasury Services plc ("Santander") (a wholly owned subsidiary of Santander UK plc) with its original loan facility having being put in place at the time of the stock transfer from Oldham Council in February 2011.

FCHO loan facility of £95 million is split as follows:

Type	£
Non-Revolving Fixed	25,500,000
Revolving	**15,000,000**
Non-Revolving Variable	**54,500,000**
Total	**95,000,000**

The capital structure and loan maturity dates are shown in the table below. Interest rates can be found in note 18 to the financial statements.

Tranche	Facility	Drawn	Undrawn	Maturity Date	Availability Date
A1	£21m	£6.5m	£14.5m	31/12/2027	31/03/2021
A2	£19m	£19m		31/03/2033	
B	£15m		£15m	31/12/2022	30/09/2022
C	£10m		£10m	27/06/2021	27/03/2021
D	£30m		£30m	27/06/2023	27/03/2023
Total	**£95m**	**£25.5m**	**£69.5m**		

Current Drawn Loan Portfolio

Tranche	£	Original	Term Remaining
A1	£6.5m	14 years 6 months	8 years 9 months
A2	£6.5m	**15 years 3 months**	10 years
A2	£6.5m	**13 years**	12 years
A2	£6.0m	**18 years 3 months**	14 years
Total	**£25.5m**		

Cash Flow and Liquidity

The net cash inflow from operating activities before interest costs was £15.472m. Bank balances and short term investments were £13.140m at the year end.

Covenant Compliance

Under the terms of the loan agreement the company has to comply with three financial covenants, being:

- Ratio of net cash flow to total interest
- Gearing
- Asset cover i.e. the value of the stock compared to the outstanding loan

Performance to 31 March 2019 showed that the company was compliant with all covenants.

Going Concern

After making appropriate enquiries, the Board of Directors confirms that it is a reasonable expectation that FCHO has adequate resources to continue in operational existence for the foreseeable future. Accordingly, it has adopted the going concern basis in preparing FCHO's financial statements.

Approval

This strategic report was approved by the Board of Directors on 07 August 2019.

Vinny Roche
Chief Executive

Independent Auditor's Report to the Members of FCHO

Opinion

We have audited the financial statements of First Choice Homes Oldham ("the Association") and its subsidiaries ("the Group") for the year ended 31 March 2019 which comprise the consolidated and Association statement of comprehensive income, the consolidated and Association statement of financial position, the consolidated and Association statement of changes in equity, the consolidated cash flow statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102; The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the Association's affairs as at 31 March 2019 and of the Group's and the Association's surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the [Group and] [Association] in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the board members use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the board members have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the Association's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The board are responsible for the other information. Other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information including the Strategic Report and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Report of the Board for the financial year for which the financial statements are prepared is consistent with the financial statements; and

- the Strategic report and Report of the Board have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent Association and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and Report of the Directors.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion;

- adequate accounting records have not been kept by the parent association, or returns adequate for our audit have not been received from branches not visited by us; or

- the parent association financial statements are not in agreement with the accounting records and returns; or

- certain disclosures of board member and or directors' remuneration specified by law are not made; or

- we have not received all the information and explanations we require for our audit; or

- the Directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies exemptions in preparing the Directors report and from the requirement to prepare a Strategic report.

Responsibilities of the board

As explained more fully in the board members responsibilities statement set out on page 10, the board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the board members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the board are responsible for assessing the Group and the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the board either intend to liquidate the Group or the Association or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

This report is made solely to the members of the Association, as a body, in accordance with the Housing and Regeneration Act 2008 and Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the members as a body, for our audit work, for this report, or for the opinions we have formed.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Helen Knowles (Senior Statutory Auditor)
For and on behalf of BDO LLP, statutory auditor
Manchester

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Consolidated statement of comprehensive income

For the year ended 31 March 2019	Note:	**Year ended 31 March £'000**	Year ended 31 March £'000
Turnover	2	49,826	50,326
Operating costs	2	(39,554)	(32,882)
Operating surplus		**10,272**	17,444
Interest receivable and similar income	7	150	100
Interest and finance similar charges	6	(2,884)	(2,558)
Surplus before taxation		**7,538**	14,986
Taxation on surplus	9	-	-
Surplus for the financial year after taxation		**7,538**	14,986
Other comprehensive income:			
Actuarial (losses)/gains on defined benefit pension scheme	12	(5,833)	2,168
Total comprehensive income for year		**1,705**	17,154

The consolidated results relate wholly to continuing activities.

The notes on pages 44 to 71 form part of these financial statements.

Association statement of comprehensive income

For the year ended 31 March 2019	**Note:**	**Year ended 31 March £'000**	Year ended 31 March £'000
Turnover	2	49,826	50,326
Operating costs	2	(39,548)	(34,878)
Operating surplus		**10,278**	17,448
Interest receivable and similar income	7	150	100
Interest and finance similar charges	6	(2,884)	(2,558)
Gift aid from subsidiary undertaking	9	11	-
Surplus before taxation		**7,554**	14,990
Taxation on surplus	9	-	-
Surplus for the financial year after taxation		**7,554**	14,990
Other comprehensive income:			
Actuarial (losses)/gains on defined benefit pension scheme	12	(5,833)	2,168
Total comprehensive income for year		**1,721**	17,158

The consolidated results relate wholly to continuing activities.

The notes on pages 44 to 71 form part of these financial statements.

Consolidated and Association statement of financial position

For the year ended 31 March 2019	Note:	**Group 2019 £'000**	Group 2018 £'000	**Association 2019 £'000**	Association 2018 £'000
Tangible fixed assets					
Housing properties	13	131,115	106,857	131,490	106,872
Other fixed assets	14	10,265	9,572	10,265	9,572
Investment in subsidiary company	25	-	-	-	-
		141,380	116,429	141,755	116,444
Current Assets					
Properties held for sale	15	1,132	-	1,132	-
Debtors - receivable after one year	16	58,710	73,789	58,710	73,789
Debtors - receivable within one year	1615	24,239	23,626	24,189	23,861
Investments in short term deposits		100	12,500	100	12,500
Cash and cash equivalents		13,040	21,973	12,439	21,972
		97,222	131,888	96,570	132,121
Creditors: amounts falling due within one year	17	(13,290)	(15,239)	(12,993)	(15,483)
					-
Net current assets		83,932	116,649	83,577	116,638
Total assets less current liabilities		**225,312**	233,078	**225,331**	233,082
Creditors: amounts falling due after more than one year	18	37,753	40,866	37,753	40,866
Provisions for liabilities and charges					
Other provisions	22	76,618	90,748	76,618	90,748
Pension liability	12	28,203	20,432	28,203	20,432
Total net assets		83,737	81,032	82,757	81,036
Capital and reserves					
Income and expenditure reserve		82,737	81,032	82,757	81,036
Non-equity share capital		-	-	-	-
Total reserves		**82,737**	81,032	**82,757**	81,036

The financial statements were issued and approved by the Board of Directors on 07 August 2019 and were signed on its behalf by:

Ged Lucas	**Carl Brazier**
Chair	Chair of Audit and Risk Committee

The notes on pages 44 to 71 form part of these financial statements

Consolidated statement of changes in reserves

For the year ended 31 March 2019	Note:	Income and expenditure reserve £'000	Total £'000
Balance as at April 2017		63,878	63,878
Surplus for the year		14,986	14,986
Other Comprehensive Income for the year Actuarial loss relating to pension scheme	12	2,168	2,168
Balance as at 31 March 2018		81,032	81,032
Surplus for the year		7,538	7,538
Other Comprehensive Income for the year Actuarial loss relating to pension scheme	12	(5,833)	(5,833)
Balance as at 31 March 2019		**82,737**	**82,737**

The notes on pages 44 to 71 form part of these financial statements

Association statement of changes in reserves

For the year ended 31 March 2019	Note:	Income and expenditure reserve £'000	Total £'000
Balance as at April 2017		63,878	63,878
Surplus for the year		14,990	14,990
Other Comprehensive Income for the year Actuarial loss relating to pension scheme	12	2,168	2,168
Balance as at 31 March 2018		81,036	81,036
Surplus for the year		7,554	7,554
Other Comprehensive Income for the year Actuarial loss relating to pension scheme	12	(5,833)	(5,833)
Balance as at 31 March 2019		**82,757**	**82,757**

The notes on pages 44 to 71 form part of these financial statements

Consolidated statement of cash flows

Group and Association **For the year ended 31 March 2019**	**2019** **£'000**	2018 £'000
Cash flows from operating activities		
Surplus for the financial year	7,538	14,986
Adjustments for:		
Interest payable and finance costs	2,884	2,558
Interest received	(150)	(100)
Depreciation on tangible fixed assets - housing properties	4,851	4,294
Depreciation on fixed assets - other	359	750
Amortised grant	(78)	(76)
Difference between net pension expense and cash contribution	1,369	1,682
Surplus on the sale of fixed assets - housing properties impairment	(1,652)	(1,988)
Charge	2,457	-
Decrease/(increase) in trade and other debtors	(1,206)	624
Increase/(decrease) in trade and other creditors	(900)	3,484
Cash from operations	15 ,472	26,214
Taxation paid	-	-
Net cash generated from operating activities	15,472	26,214
Cash flows from investing activities		
Proceeds from sale of fixed assets - housing properties	2,047	2,529
Purchase of fixed assets - housing properties	(31,579)	(15,704)
Purchase of fixed assets - other	(534)	(2,426)
Cash and similar investments	1	1
Receipt of grant	2,668	2,879
Interest received	161	88
Net cash used in investing activities	(27,236)	(12,633)
Cash flows from financing activities		
Interest paid	(3,070)	(1,923)
Loan advances received	-	6,000
Repayment of loans	(6,500)	-
Transfer to deposits	12,400	(7,500)
Net cash used in financing activities	2,830	(3,423
Net change in cash and cash equivalents	(8,933)	10,157
Cash and cash equivalents at beginning of the year	21,973	11,816
Net cash movement	(8,933)	10,157
Cash and cash equivalents at end of the year	**13,040**	21,973

The notes on page 44 to 71 form part of these financial statements.

Notes to the financial statements for the year ended 31 March 2019

Note 1: Accounting Policies

Legal status

The association (FCHO) is incorporated under the Co-operative and Community Benefit Societies Act 2014 and is registered with the Regulator of Social Housing as a Registered Provider of Social Housing. The association is a Public Benefit Entity (PBE) and is incorporated in the United Kingdom.

FCHO has one subsidiary; New Living Homes Ltd a registered company under the Companies Act which develops new housing for the group.

Basis of preparation

These financial statements of the group and association have been prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including Financial Reporting Standard 102 (FRS102), the Statement of Recommended Practice for registered housing providers: Housing SORP 2014, and comply with the Accounting Direction for Private Registered Providers of Social Housing 2015.

The preparation of financial statements in compliance with FRS102 requires the Group management to make judgements, estimates and assumptions that effect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However the nature of estimations means that actual outcomes could differ from those estimates. It also requires Group management to exercise judgement in applying the Group's accounting policies. The impact that potential variations in these judgements may have on the financial statement is explained in the Accounting Policies.

In preparing the financial statements of the parent company, advantage has been taken of the following disclosure exemptions available in FRS 102:

- Only one reconciliation of the number of shares outstanding at the beginning and end of the period has been presented as the reconciliations for the group and the parent company would be identical;

- No statement of cash flows has been presented for the parent company;

- Disclosures in respect of the parent company's financial instruments have not been presented as equivalent disclosures have been provided in respect of the group as a whole;

The following principal accounting policies have been applied:

Basis of consolidation

The Consolidated Financial Statements includes FCHO Registered provider of social housing and its subsidiary New Living Homes Limited (together the Group). The result of the subsidiary is included in the consolidated statement of Comprehensive Income from the date of the formation. All intra-group transactions, balances, surpluses and deficits are eliminated in full on consolidation.

Turnover

Turnover represents rental income receivable and service charges income receivable (net of any voids), amortised capital grant, revenue grants from Local Authorities, Central Government and the Homes and Communities Agency and other income which is recognised in relation to the period when the goods or services have been supplied.

Rental income is recognised from the point when properties under development reach practical completion or otherwise become available for letting, net of voids. Income from first tranche sales and properties built for sale is recognised at the point of legal completion of the sale.

Service charges

The group adopts the fixed method for calculating and charging service charges to its tenants and leaseholders. Expenditure is recorded when a service is provided and charged to the relevant service charge account. Income is recorded based on the estimated amounts chargeable. There is no allowance for the surplus or deficit being recovered from the previous years.

Current and deferred taxation

The Association has been granted exemption from taxation under the provision of Section 505 of the income and Corporation Taxes Act 1988 because of its charitable status.

Deferred tax is recognised when income or expenses from a subsidiary or associate have been recognised, and will be assessed for tax in a future period, except where:

- the group is able to control the reversal of the timing difference; and
- it is probable that the timing difference will not reverse in the foreseeable future

New Living Homes limited makes profits which it intends to Gift Aid to the association annually within 9 months of its year end to eliminate any taxable profits.

Value Added Tax VAT

The group charges Value Added Tax (VAT) on some of its income and is able to recover part of the VAT it incurs on expenditure. The financial statements include VAT to the extent that it is suffered by the Group and not recoverable from HM Revenue and Customs. Recoverable VAT arises from partially exempt activities and is credited to the Statement of Comprehensive Income.

Interest payable

Interest is capitalised on borrowings to finance the development of qualifying assets to the extent that it accrues in respect of the period of development if it represents:

a) interest on borrowings specifically financing the development programme after deduction of related grants received in advance; or

b) a fair amount of interest on borrowings of the association as a whole after deductions of SHG received in advance to the extent that they can be deemed to be financing the development programme.

Other interest payable is charged to income and expenditure in the year.

Sale of Properties / Property Disposals

The profit or loss incurred upon the disposal of fixed assets will be included in the Income Statement in the year in which the actual disposal occurs. This will be shown as a separate item.

Housing Properties Valuation

Housing Properties are stated at cost, less accumulated depreciation and impairment (where applicable). Housing Properties under construction are stated at cost and are not depreciated. These are reclassified as housing properties on practical completion of construction. Cost includes the cost of acquiring land and buildings, development costs, interest charges incurred during the development period. Freehold land is not depreciated.

Where a housing property comprises two or more major components with substantially different useful economic lives (UELs), each component is accounted for separately and depreciated over its individual UEL. Expenditure relating to subsequent replacement or renewal of components is capitalised as incurred. The housing stock’s useful and economic life will be reassessed on an annual basis.

Expenditure on shared ownership properties is split proportionally between current and fixed assets based on the element relating to expected first tranche sales. The first tranche proportion is classed as a current asset and related sales proceeds included in turnover, and the remaining element is classed as fixed assets and included in housing properties at cost, less any provisions needed for depreciation or impairment

Note 1: Accounting Policies (continued)

Improvements to housing properties and depreciation

The group will capitalise repairs expenditure on housing properties which results in an enhancement of economic benefit of the asset. This includes:

- An increase in rental income
- A reduction in maintenance costs
- A significant extension of the life of the property

In line with the Statement of Recommended Practice (SORP 2014), the Group adopts component accounting, i.e. that where assets have two or more major components with substantially different lives, then the assets will be treated as separate components and depreciated over the different lives.

Housing Property Components are identified as and depreciated as follows:

Component	UEL (Years)
Roof	40
Window & Doors	30
Kitchen	20
Bathroom	30
Heating System	30
Communal	30
Environmental	30
Boiler	15
Electrical Wiring	30
Lift	15
Structure - existing properties	80
Structure - new build	100
Structural Works	30

The improvement works are capitalised at the end of the project. Any direct development staff time spent on schemes up to completion will be capitalised during the year. The depreciation will commence at the date of capitalisation and will be then calculated over the economic life of the improvements.

Any costs that are capitalised under the Improvement Programme comprise all expenditure on doors, windows, roofs, kitchens, bathrooms and heating systems, including: fees, preliminary costs and any other associated costs, but excluding any loan interest payments. Environmental works are capitalised if they meet the value threshold, useful economic life (UEL) and can be directly attributable to a block or individual property.

All other expenditure incurred in respect of general repairs to its housing stock will be charged directly to the Income Statement in the year in which it is incurred.

Impairment

The housing property portfolio for the group is assessed for indicators of impairment at each balance sheet date. Where indicators are identified then a detailed assessment is undertaken to compare the carrying value of its transfer properties at estate level and this is compared to the Existing Use Value for Social Housing (EUV-SH). EUV-SH is used as the estimate of the recoverable amount of the property. For the estates where there is an indication of impairment, the next step is to review depreciated replacement costs for these assets. The depreciated replacement cost is calculated as the lower of construction cost or acquiring a replacement on the open market for an equivalent property.

Where housing properties have suffered a permanent diminution in value, the fall in value is recorded through a charge to income and expenditure.

Social Housing Grant and other government grants

Where developments have been financed wholly or partly by Social Housing Grant (SHG) receivable from the Regulator of Social Housing and Local Authorities, the amount of the grant received has been included as deferred income and recognised in the Statement of Comprehensive Income over the estimated useful life of the associated asset structure (excluding land costs) under the accruals model. When SHG received in respect of housing properties in the course of construction exceeds the total cost to date of those housing properties, the excess is shown as a current liability. SHG received in respect of revenue expenditure is credited to the Statement of Comprehensive Income in the same period as the expenditure to which it relates.

SHG is subordinated to the repayment of loans by agreement with the Regulator of Social Housing and Local Authorities. SHG released on sale of a property may be repayable but is normally available to be recycled and is credited to a Recycled Capital Grant Fund or Disposal Proceeds Fund and included in the Statement of Financial Position in Creditors.

If there is no requirement to recycle or repay the grant on disposal of the asset, any unamortised grant remaining within Creditors is released and recognised as income within the Statement of Comprehensive Income.

Non-government grants

Grants received from non-government sources are recognised under the performance model. If there are no specific performance requirements the grants are recognised when received or receivable, where grant is received with specific performance requirements it is recognised as a liability until the conditions are met and then it is recognised as Turnover in the same period as the expenditure to which they relate.

Recycled Capital Grant Fund

On the occurrence of certain relevant events, primarily the sale of dwellings, the Regulator of Social Housing can direct the Association to recycle capital grants or to make repayments of the recoverable amount. The Group adopts a policy of recycling, for which a separate fund is maintained. If unused recycled capital grant held within the recycled capital grant fund, which it is anticipated will not be used within one year is disclosed in the Statement of Financial Position under "creditors due after more than one year". The remainder is disclosed under "creditors due within one year".

Depreciation of other fixed assets

Other Fixed Assets are stated at historical cost less accumulated depreciation. Freehold land is not depreciated. Depreciation is charged on a straight line basis over their expected economic life. The depreciable amount is recognised in the Income Statement over the assets useful life. Costs over £1,000 will be capitalised and depreciated as follows:

Other Fixed Assets	UEL (Years)
Office Premises	80
Plant & Machinery	5-7
Office & Computer Equipment	3-5
Furniture, Fixtures & Fittings	4
Lift	15

Gains or losses arising on the disposal of other tangible fixed assets are determined by comparing the difference between the disposal proceeds and the carrying amount of the assets and are recognised as part of the surplus/deficit for the year in the Statement of Comprehensive Income.

Note 1: Accounting Policies (continued)

Properties for sale

Shared ownership first tranche sales, completed properties for outright sale and property under construction are valued at the lower of cost and net realisable value. Cost comprises materials, direct labour and direct development overheads. Net realisable value is based on estimate sales price after allowing for all further costs of completion and disposal.

Short-term debtors and creditors

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the Income Statement in other operating expenses.

Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the Statement of Financial Position date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the Statement of Financial Position.

Leasing Commitments

Rentals paid under operating leases will be charged to the Income Statement on a straight-line basis over the term of the lease.

Pension costs

Contributions to the group's defined contributions pension scheme are charged to profit or loss in the year in which they become payable. The cost of providing retirement pensions and related benefits are charged to management expenses over the periods benefitting from the employee's services.

The difference between the fair value of the assets held in the group's defined benefit pension scheme and the schemes liabilities measured on an actuarial basis using the projected unit method, are recognised in the Association Statement of Financial Position as a pension scheme asset or liability (as appropriate).

Bad Debts and Write-Offs

Bad debts will be charged to the Income and Expenditure account in the year in which they are incurred. A provision for bad and doubtful debts will be made on an estimation of those debts that will not be recovered at the balance sheet date.

In respect of rental debtors, provision is made on the following basis:

(a) Current tenants at varying percentages dependant on value of the debt based on a bespoke calculation using the current tenant arrears.

(b) Former tenants at 100% of the debt.

In respect of other debtors, provision is made for specific debtor balances.

Agreement to improve existing properties

First Choice Homes have an approved VAT Shelter for 15 years post stock transfer and as a result VAT incurred on the Regeneration Programme will be recovered. As part of the stock transfer agreement, the initial first tranche of £15.913m was retained by FCHO; this sum was within the first 5 years post transfer. Following the first tranche, there is a remaining second tranche of VAT Shelter savings of up to £6.0m and this will be retained and utilised solely for asbestos works that exceed the value that is contained within the Stock Condition Survey of £11.144m. First Choice Homes Oldham commenced the 50/50 VAT Sharing Agreement with OMBC in December 2015 and asbestos spend levels exceeded £11.144m (as per the Second Tranche) in 2018/19 therefore any spend above this level will be shared 50/50 with OMBC. Related assets and liabilities are shown at gross values.

Note 1: Accounting Policies (continued)

Provisions

Provisions are made to the extent that the group has no discretion to avoid the expenditure provided for. Provisions will be calculated in line with the guidance contained in FRS102.

Financial liabilities and equity

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form.

Cash and cash equivalents

Cash and cash equivalents in the groups, consolidated Statement of Financial Position consists of cash at bank, in hand, deposits and short term investments with an original maturity of three months or less.

Judgements and key sources of estimation uncertainty

In preparing these financial statements, the key judgments have been made in respect of the following:

a) whether there are indications of impairment of FCHO's tangible and intangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the assets and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit. Based on our review it has been concluded that there were no impairment triggers in respect of the associations, fixed assets housing properties.

b) the critical underlying assumptions in relation to the estimate of the pension defined benefit scheme obligation such as standard rates of inflation, mortality, discount rate and anticipated future salary increases. Variations in these assumptions have the ability to significantly influence the value of the liability recorded and annual defined benefit expense.

c) what constitutes a cash generating unit when indicators of impairment require there to be an impairment review.

d) the appropriate allocation of costs for mixed tenure developments, and furthermore the allocation of costs relating to shared ownership properties between current and fixed assets.

Other key sources of estimation and assumptions:

Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing assets lives, factors such as product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

For housing property assets, the assets are broken down into components based on management's assessment of the properties. Individual useful economic lives are assigned to these components.

Financial instruments – classification as 'basic' or 'other'

Following the adoption of FRS102 in the preparation of these financial statements it was necessary to consider whether any of the groups, financial instruments met the definition of 'other' as defined in section 11 of FRS 102. In particular it was necessary to consider the terms of the group's loan agreements and assess features such as how interest rates payable are determined, any lender optionality written into the agreements, and any elements of the loan agreement that could substantially change due to conditions of the control of the group. Following this review it was determined that the group's financial instructions are basic financial instruments and have been accounted for as such.

Note 2: Particulars of turnover, operating costs and operating surplus – Group

	Turnover 2019 £'000	**Other Income 2019 £'000**	**Other Expenditure 2019 £'000**	**Operating Surplus/ (Deficit) 2019 £'000**
Social housing lettings (note 3)	46,217	-	(38,434)	7,784
Other social housing activities				
Management fee	2,262	-	(2,159)	103
Surplus on disposal of fixed assets	-	-	1,652	1,652
Other	727	-	(331)	396
Activities other than Social Housing				
Other	620	-	(283)	337
Total	**49,826**	-	**(39,554)**	**10,272**

	Turnover 2018 £'000	Other Income 2018 £'000	Other Expenditure 2018 £'000	Operating Surplus/ (Deficit) 2018 £'000
Social housing lettings (note 3)	46,748	-	(32,787)	13,961
Other social housing activities				
Management fee	1,572	-	(1,491)	81
Surplus on disposal of fixed assets	-		1,988	1,988
Other	1,452	-	(388)	1,064
Activities other than Social Housing				
Other	554	-	(204)	350
Total	50,326	-	(32,882)	17,444

Note 2: Particulars of turnover, operating costs and operating surplus – Association

	Turnover 2019 £'000	**Other Income 2019 £'000**	**Other Expenditure 2019 £'000**	**Operating Surplus/ (Deficit) 2019 £'000**
Social housing lettings (note 3)	46,217	-	(38,428)	7,790
Other social housing activities				
Management fee	2,262	-	(2,159)	103
Surplus on disposal of fixed assets	-	-	1,652	1,652
Other	727	-	(331)	396
Activities other than Social Housing				
Other	620	-	(283)	337
Total	**49,826**	-	**(39,548)**	**10,278**

	Turnover 2018 £'000	Other Income 2018 £'000	Other Expenditure 2018 £'000	Operating Surplus/ (Deficit) 2018 £'000
Social housing lettings (note 3)	46,748	-	(32,783)	13,965
Other social housing activities				
Management fee	1,572	-	(1,491)	81
Surplus on disposal of fixed assets	-		1,988	1,988
Other	1,452	-	(388)	1,064
Activities other than Social Housing				
Other	554	-	(204)	350
Total	50,326	-	(32,878)	17,448

Note 3: Particulars of income and expenditure from social housing lettings - Group

	2019		2018
	General Needs Housing £’000	**Total £’000**	Total £’000
Income from social housing lettings			
Rent receivable net of identifiable service charges	44,325	44,325	45,183
Service charge income	1,814	1,814	1,489
Amortised government grants	78	78	76
Turnover from social housing lettings	46,217	46,217	46,748
Expenditure on social housing letting			
Management	(11,875)	11,875)	(11,584)
Service charge costs	(3,655)	(3,655)	(3,428)
Routine maintenance	(7,268)	(7,268)	(6,155)
Planned maintenance	(2,936)	(2,936)	(3,020)
Bad debts	(334)	(334)	(431)
Major repairs expenditure	(4,330)	(4,330)	(3,087)
Depreciation of housing properties	(5,210)	(5,210)	5,044)
Impairment Costs	(2,457)	(2,457)	-
Other Costs	(368)	368)	(38)
Operating expenditure on social housing lettings	(38,434)	(38,434)	(32,787)
Operating Surplus on Social Housing Lettings	**7,784**	**7,784**	13,961
Void Losses	547	547	533

Note 3: Particulars of income and expenditure from social housing lettings - Association

	2019		2018
	General Needs Housing £'000	Total £'000	Total £'000
Income from social housing lettings			
Rent receivable net of identifiable service charges	44,325	44,325	45,183
Service charge income	1,814	1,814	1,489
Amortised government grants	78	78	76
Turnover from social housing lettings	46,217	46,217	46,748
Expenditure on social housing letting			
Management	(11,869)	(11,869)	(11,580)
Service charge costs	(3,655)	(3,655)	(3,428)
Routine maintenance	(7,268)	(7,268)	(6,155)
Planned maintenance	(2,936)	(2,936)	(3,020)
Bad debts	(334)	(334)	(431)
Major repairs expenditure	(4,330)	(4,330)	(3,087)
Depreciation of housing properties	(5,210)	(5,210)	(5,044)
Impairment Costs	(2,457)	2,457)	-
Other Costs	(368)	(368)	(38)
Operating expenditure on social housing lettings	(38,428)	(38,428)	(32,783)
Operating Surplus on Social Housing Lettings	**7,790**	**7,790**	13,965
Void Losses	547	547	533

Note 4: Operating Surplus

The operating surplus is arrived at after charging:	**Group 2019 £'000**	Group 2018 £'000	**Association 2019 £'000**	Association 2018 £'000
Tangible fixed assets depreciation and impairment:				
Housing stock	**4,851**	4,294	**4,851**	4,294
Impairment of housing properties	**2,457**	-	**2,457**	-
Other fixed assets	**359**	750	**359**	750
Auditor's remuneration:				
Amounts paid to BDO LLP (excluding VAT):				
In their capacity as auditor's	**28**	25	**22**	22
Fees for other non audit services	**7**	7	**7**	7
Operating lease charges:				
Land and buildings	**25**	18	**25**	18
Other	**631**	622	**631**	622

Note 5: Surplus on sale of fixed assets - housing properties

Group and Association	**2019 £'000**	2018 £'000
Disposal proceeds	2,164	2,601
Carrying value of fixed assets	(395)	(541)
	1,769	2,060
Recycled Capital Grant (note 21)	(117)	(72)
Total surplus on sale of fixed assets	1,652	1,988

Note 6: Interest payable and similar charges

Group and Association	**2019 £'000**	2018 £'000
Bank loans and overdrafts	(2,368)	(1,689)
Other finance costs	(366)	(317)
Disposal Proceeds Fund & Recycled Capital Grant	(0)	(1)
Net interest on net defined benefit pension liability (note 12)	(569)	(551)
	(3,303)	(2,558)
Interest payable capitalised on housing properties under construction	419	-
	(2,884)	(2,558)
Capitalised rate used to determine the finance costs capitalised during the period	8.3%	0.00%

Note 7: Interest receivable and other income

Group and Association	**2019 £'000**	2018 £'000
Interest receivable and similar income	150	100
	150	100

Note 8: Units of housing stock

Group and Association	**2019 No. of properties**	2018 No of properties
Social Housing	10,669	10,725
Affordable - General needs	769	759
Low cost home ownership	7	0
Total Owned	11,445	11,484
Units under construction	205	190

Note 9: Tax on surplus on ordinary activities

The Group will not incur a tax charge in the year as FCHO has been granted exemption from taxation under the provision of Section 505 of the income and Corporation Taxes Act 1988 because of its charitable status.
The Association received a gift aid payment of £0.011m in the period ended 31 March 2019 (2018:£Nil). New Living Homes Ltd intends to make a gift aid payment to FCHO within nine months of the year end to eliminate any taxable profits.

Note 10: Directors' remuneration

	Group 2019 £'000	Group 2018 £'000	**Association 2019 £'000**	Association 2018 £'000
The aggregate emoluments paid to or receivable by non-executive directors and former non-executive directors excluding pension contributions	47	24	47	24
The aggregate emoluments paid to or receivable by executive directors and former executive directors excluding pension contributions	853	878	853	878
The emoluments paid to the highest paid director excluding pension contributions	141	130	141	130
The aggregate amount of directors or past directors pensions	122	125	122	125

Directors are defined as, Non-Executive Directors, Chief Executive and the Executive Management Team. These are considered to be the key management personnal of the association.

The Chief Executive is a member of the Association's Group Pension Scheme. The entitlement of the Chief Executive is identical to those of other members. No enhanced or special terms apply.

Board Members

The table below shows emoluments paid to the Board of FCHO during the discharge of their duties

Board member	**2019 £'000**	2018 £'000
Gerard Lucas	10	10
Matthew Jones	1	2
Pauline Richardson	5	2
Carl Brazier	5	2
Hilda Kaponda	5	2
John Carleton	5	2
Philip Pearson	4	2
Mumtaz Ali	4	2
Ronald Smith	2	-
Jean Mira	2	-
Clare Doyle	2	-
Amanda Harris	2	-
Ronnie Clawson	2	-
	47	**24**

The aggregate amount of expenses paid to Board members in the period was £4,913 (£4,148 in 2018).

Note 11: Employee Information

The average number of persons employed during the year expressed as full time equivalents (calculated based on a standard working week of 37 hrs):

	Group 2019 No.	Group 2018 No.	**Association 2019 No.**	Association 2018 No.
Housing maintenance	134	125	134	125
Housing management	178	176	178	176
Support services	24	22	24	22
Development	8	4	8	4
Other services	63	61	63	61
	407	388	407	388

Staff costs (including Executive Management Team) consist of:

	Group 2019 £'000	Group 2018 £'000	**Association 2019 £'000**	Association 2018 £'000
Wages and salaries	11,559	10,653	11,559	10,653
Social Security costs	1,099	1,002	1,099	1,002
Cost of defined benefit scheme	2,861	3,114	2,861	3,114
Cost of defined contribution scheme	294	134	294	134
	15,813	14,903	15,813	14,903

Employers and members contribution for the defined benefit scheme are shown in note 12.

The remuneration paid to staff (including the Executive Management Team) earning over £60,000 upwards:

Group and Association	**2019**	2018
£60,000 - £69,999	5	4
£70,000 - £79,999	3	2
£80,000 - £89,999	-	1
£90,000 - £99,999	-	-
£100,000 - £109,999	2	2
£110,000 - £119,999	-	1
£120,000 - £129,999	1	-
£130,000 - £139,999	-	1
£140,000 - £149,999	-	-
£150,000 - £159,999	-	-
£160,000 - £169,999	1	-

Note 12: Pension obligations

Two pension schemes are operated by the association.

a)Defined benefit pension scheme - (employees with a start date pre 1 September 2015)

The association participates as a contributing member of the Greater Manchester Fund (administered by Oldham MBC in accordance with the Local Government Pension Fund Regulations), which is a funded defined pension scheme where contributions payable are held in trust and separately from the company.

The financial assumptions underlying the last valuation are as follows:

Date of valuation	31 March 2019
Method of valuation	Projected Unit

The valuation was based on the following assumptions:

	31 March 2019	**31 March 2018**
Rate of return on accumulated assets	2.4% pa	2.7% pa
Rate of salary increases	3.3% pa	3.2% pa
Rate of pension increases	2.5% pa	2.4% pa
Discount rate	2.4% pa	2.7% pa

Surpluses and deficits are spread over employees' future service lives and the pension charge recorded by the association during the accounting period was equal to the contributions payable.

Mortality

The average future life expectancies at age of 65 are summarised below:

	Males	**Females**
Current Pensioners	21.5 yrs	24.1 yrs
Future Pensioners *	23.7 yrs	26.2 yrs

* Figure assumes members aged 45 as at the last formal valuation

Split of Scheme Assets:

	Distribution%	**Distribution%**
Equities	69.0%	66.0%
Bonds	15.0%	16.0%
Property	8.0%	7.0%
Cash	8.0%	11.0%
Total	**100%**	**100%**

Note 12: Pension obligations continued

Asset and Liability Reconciliation

Reconciliation of fair value of plan assets	**31 March 2019** **£'000**	**31 March 2018** **£'000**
At the beginning of the year	60,607	57,705
Interest income	1,651	1,514
Contributions by members	514	518
Contributions by the employer	1,492	1,432
Actuarial gains / (losses)	2,894	256
Benefits paid	(862)	(818)
At the end of the year	**66,296**	60,607

Reconciliation of present value of plan liabilities	**31 March 2019** **£'000**	**31 March 2018** **£'000**
At the beginning of the year	81,039	78,072
Current Service Cost	2,804	3,086
Interest Cost	2,220	2,065
Contributions by members	514	518
Actuarial losses / (gains)	8,727	(1,912)
Past service cost / (gains) (including curtailments)	57	28
Estimated benefits paid	(862)	(818)
At the end of the year	**94,499**	81,039
Net pension scheme liability	**(28,203)**	(20,432)

Amounts recognised in Other Comprehensive Income are as follows:

Included in administrative expenses:		
Current service cost	2,804	3,086
Past service cost (including curtailments)	57	28
Total operating charge	**2,861**	3,114

Amounts (charged) / credited to other finance costs

Interest income on plan assets	1,651	1,514
Interest on pension scheme liabilities	(2,220)	(2,065)
Net interest costs return	**(569)**	(551)

Note 12: Pension obligations continued

Analysis of actuarial loss recognised in Other Comprehensive Income:

Actual return less interest income included in net interest income	2,894	256
Changes in demographic assumptions	-	-
Experience gains and losses arising on scheme liabilities	-	-
Changes in assumptions on present value of liabilities	(8,727)	1,912
Actuarial (loss)/gain in other comprehensive income	**(5,833)**	2,168

The estimate for employer's contributions for the year to 31 March 2020 will be approximately £1.492m (2019 £1.508m).

b) Defined Contribution Scheme

A defined contribution pension scheme is operated by the association which commenced on the 1 October 2015 on behalf of those employees who started post 1 September 2015. The assets of the scheme are held separately, from those of the association in an independently administered fund provided by Friends Life. The pension charge represents contributions payable by the association to the fund and amounted to £293,709 (2018: £146,514). Contributions amounting to £30,675 (2018: £26,529) were payable to the fund as at 31 March 2019 and are included in creditors.

Note 13: Tangible fixed assets - Housing properties

	Social housing properties held for lettings £'000	Social housing properties under construction £'000	Shared ownership completed £'000	Shared ownership under contruction £'000	Total Social housing properties £'000
Cost					
At 1 April 2018	120,361	2,899	-	-	123,260
Works to existing properties	14,587	-	-	-	14,587
Interest capitalised	-	316	-	71	387
Additions	-	14,772	-	2,282	17,054
Schemes completed	2,190	(2,190)	570	570	-
Disposals	(3,669)	-	-	-	(3,669)
At 31 March 2019	133,469	15,796	570	1,783	151,618
Depreciation and impairment					
At 1 April 2018	16,403	-	-	-	16,403
Depreciation charge in year	4,851	-	-	-	4,851
Impairment charge in year	(658)	-	-	-	658)
Disposals	(93)	-	-	-	(93)
At 31 March 2019	20,503	-	-	-	20,503
Net Book Value at 31 March 2019	112,966	15,796	570	1,783	131,115
Net Book Value at 31 March 2018	103,958	2,899	-	-	106,872

The net book value of housing properties may be further analysed as:

	2019 £'000	2018 £'000
Freehold	106,051	98,763
Long leasehold	6,915	5,195
	112,966	103,958

Note 13: Tangible fixed assets - Housing properties (continued)

Works to existing properties in the year:	2019 £'000	2018 £'000
Components capitalised	14,587	12,579
Amounts charged to income and expenditure	4,330	3,087
	18,917	15,666

Total Social Housing Grant received or receivable to date is as follows:	2019 £'000	2018 £'000
Social Housing Grant received and taken tostatement of comprehensive income	13,132	9,463
Social Housing Grant received and held in creditors as deferred income	229	2,881
Capital grant - Housing Properties	13,361	12,344
Disposal Proceed Funds	-	99
Total Housing Grant received	13,361	12,443

Finance costs	2019 £'000	2018 £'000
Aggregate amount of finance costs included in the cost of housing properties	387	-

Impairment

In accordance with FRS 102 and SORP 2014, the housing properties have been reviewed for any impairment. Following this review it was determined that no properties had incurred impairment during the Year (2018:£nil).

First Choice Homes Oldham's Board approved the demolition of the Crossbank and Summervale Tower Blocks, and surrounding bungalows (247 units in total).

These assets have been impaired as part of the 2018/19 accounts, as follows:

	2019 £'000	2018 £'000
Opening Cost	3,115	-
Total Depreciation	(658)	-
Net Book Value	2,457	-

Note 14: Tangible fixed assets - Other assets

Group and Association	**Office buildings £'000**	**Equipment £'000**	**Works in Progress £'000**	**Total £'000**
Cost				
At 1 April 2018	7,086	3,465	2,209	12,760
Additions	-	6	1,046	1,052
Transfers	2,266	75	(2,342)	-
Disposals	-	-	-	-
At 31 March 2019	9,352	3,546	913	13,812
Depreciation				
At 1 April 2018	286	2,902	-	3,188
Charge in the year	108	251	-	359
Disposal	-	-	-	-
At 31 March 2019	395	3,153	-	3,548
Net Book Value at 31 March 2019	8.958	393	913	10,265
Net Book Value at 31 March 2019	6,800	562	2,209	9,572

The net book value of office buildings may be further analysed as:

	2019 £'000	2018 £'000
Long leasehold	8,958	6,800
	8,958	6,800

Note 15: Properties for Sale

	2019 **£'000**	2018 £'000
Shared ownership properties:		
Completed properties	432	-
Work in progress	701	-
	1,132	-
Properties developed for outright sales	-	-
	1,132	-

Note 16: Debtors

Due within one year	**Group** **2019** **£'000**	Group 2018 £'000	**Association** **2019** **£'000**	Association 2018 £'000
Rental and service charge arrears	3,165	2,083	3,165	2,083
Less: Provision for bad and doubtful debts	(737)	(906)	(737)	(906)
	2,428	1,177	2,428	1,177
Trade debtors	816	704	816	704
Amounts owed by group undertakings	-	-	-	292
Prepayments and accrued income	1,837	1,259	1,827	1,259
Social housing grant receivable	401	1,933	401	1,933
Other taxes and social security	472	1,173	422	1,116
Other debtors	18,295	17,380	18,295	17,380
Total due within one year	24,239	23,626	24,189	23,861
Due after more than one year	58,710	73,789	58,710	73,789
Total debtors	82,949	97,415	82,899	97,650

The debtors due after more than one year represents £58,710m (£73.789m in 2018) obligation to have improvement work carried out to the properties transferred to FCHO net of £17.908m (£16.959m in 2018) budgeted to be spent in 2018-19 shown within other debtors due within one year. As part of the Stock Transfer Agreement, FCHO was obliged to carry out enhancement works to its housing stock valued at £229,792,273 excluding VAT. FCHO is contracted with Oldham Council to undertake this work over a 15 year period. Essentially the 'benefit' (commitment owed) to the Association under the contract has created a debtor which is effectively offset by the provision stated in note 22. The debtor will reduce as the Association completes the contracted work.

Note 17: Creditors - Amounts falling due within one year

	Group 2019 £'000	Group 2018 £'000	**Association 2019 £'000**	Association 2018 £'000
Trade creditors	3,667	4,714	3,927	4,276
Social housing grant in advances	229	2,881	229	2,881
Rent and service charges received in advance	2,440	2,222	2,440	2,222
Amounts owed to group undertakings	-	-	643	699
Other taxation and social security	288	243	288	243
Oldham MBC - RTB Clawback	985	1,442	985	1,442
Accruals and deferred income	3,852	2,753	3,236	2,750
Deferred capital grant (note 19)	125	2	125	75
Disposal proceeds fund (note 19)	2	1	2	2
Recycled capital grant fund (note 19)	1	906	1	1
Other creditors	1,701		1,117	892
	13,290	15,239	12,993	15,483

Other grants received in advance will be utilised against capital expenditure in 2019/20.

Note 18: Creditors - Amounts falling due after more than one year

	Group 2019 £'000	Group 2018 £'000	**Association 2019 £'000**	Association 2018 £'000
Loan and borrowings facility	25,227	32,000	25,227	32,000
Recycled Capital Grant (note 21)	117	-	117	-
Deferred Capital Grant	12,405	8,863	12,405	8,863
Other	4	3	4	3
	37,753	40,866	37,753	40,866

Analysis of maturity of debt - Group and Association

	2019 £'000	2018 £'000
Housing loans repayable by instalments:		
In two years or more but less than five years	-	6,500
In five years or more	25,500	25,500
Total Loans	25,500	32,000

Note 18: Creditors - Amounts falling due after more than one year (continued)

Security

The bank loans are secured by a floating charge over the assets of the association and by fixed charges on individual properties.

Terms of repayment and interest rates

There are currently four fixed loan amounts drawn down. The repayment dates and interest rates are as follows:

	Repayment Date	Interest Rate
Fix2 - £6.5m	31/12/2027	4.91%
Fix3 - £6.5m	31/03/2029	5.11%
Fix4 - £6.0m	31/03/2031	3.58%
Fix5 - £6.5m	31/03/2033	5.10%

Note 19: Deferred capital grant

Group and Association	**Social Housing Grant**	**Other Government Grants**	**Total Grant 2019 £'000**	Total Grant 2018 £'000
As at 1 April 2018	6,475	2,466	8,941	6,854
Grants received during the year	3,669	-	3,669	1,850
Grants recycled from the disposal proceeds fund (note 20)	-	-	-	241
Grants recycled from the recycled capital fund (note 21)	117	-	117	72
Released to income in the year	(50)	(28)	(78)	(76)
As at 31 March 2019	10,211	2,438	12,649	8,941

	2019 £'000	2018 £'000
Amounts to be released within one year	128	78
Amounts to be released in more than one year	12,521	8.863
	12,649	8,941

Note 20: Disposal proceed fund

Group and Association	2019 £'000	2018 £'000
As at 1 April 2018	-	240
Interest accrued	-	1
Major repairs and works to existing stock	-	(241)
As at March 2019	-	-

Withdrawal from the disposal proceeds fund were used for the purchase and improvement of new housing for letting and for approved works to existing housing properties.
As at 31 March 2019, there is £nil due for repayment and £nil has been paid in the year.

Note 21: Recycled capital grant fund

Group and Association	2019 £'000	2018 £'000
As at 1 April 2018	-	-
Grants recycled from sale of Right to Acquire sales	117	72
Interest accrued	-	-
Major repairs and works to existing stock	-	(72)
As at 31 March 2019	117	-

Withdrawal from the recycled capital grant fund was used for approved works to existing housing properties.
As at 31 March 2019, there is £nil due for repayment and £nil has been paid in the year.

Note 22: Provision for liabilities and charges

Group and Association	**2019** **£'000**	2018 £'000
Opening balance as at 1 April 2018	90,748	106,253
Less: Investment expenditure	(14,130)	(15,505)
Closing balance as at 31 March 2019	76,618	90,748

The provision represents the best estimate of the costs of contracted works for the repair and improvement of transferred properties incurred under the Development Agreement. The provision will be utilised as the works are actually completed (See note 16 for further details).

Note 23: Capital Commitment

	Group **2019** **£'000**	Group 2018 £'000
Capital expenditure that has been contracted for but not been provided for in the financial statements	9,250	22,287
Capital expenditure that has been authorised by the Board but has not yet been contracted for	13,368	11,600

The above commitments will be financed primarily through borrowings (£20,594k), which are available for drawdown under existing loan arrangements, with the balance (£2,024k) funded through social housing grant.

Note 24: Operating Leases

Group and Association

At the end of the year, the Group and Association had minimum lease payments under non- cancellable leases as set out below:

	2019 **£'000**	2018 £'000
Land & Buildings		
Less than one year	13	-
Later than one year but not later than five years	-	-
In five years or more	-	-
Total	13	-

	2019 **£'000**	2018 £'000
Other leases		
Less than one year	561	530
Later than one year but not later than five years	87	438
In five years or more	-	-
Total	648	968

Note 25: Investment in Subsidiary

FCHO is the Parent entity in the Group and ultimate controlling party. These financial statements consolidate the results of FCHO and New Living Homes Ltd which is a subsidiary of the association at the end of the financial year (New Living Homes Ltd was incorporated on the 20 October 2016). The association owns all the share capital and has the right to appoint members of the board of the subsidiary and thereby has ultimate control. The subsidiary is a regulated company which has the same registered office as the group.

Note 26: Related party disclosure

The ultimate controlling party of the group is FCHO - Registered social housing provider. There is no ultimate controlling party of FCHO.

As a member of the Group FCHO has had the following transactions with its subsidiary:

2018/19	Income £'000	Expenditure £'000	Debtors/ (Creditors) £'000
New Living Homes Limited	394	(18,247)	(2,198)

The above transaction relate primarily to recharges in relation to staffing from FCHO to the subsidiary. Also included within the transactions above are running costs FCHO incurs on its behalf in managing New Living Homes Ltd.

The association received a gift aid payment of £0.011m in the period ended 31 March 2019 (2018:£Nil).

There is currently one board member of the company who is also a tenant:

Ron Smith - appointed 01 October 2018	Tenant
Bernadette Callaghan (Former Chair) - resigned 30th September 2018	Tenant
Jean Mira - appointed 01 October 2018	Leaseholder

Board Members tenancy arrangements are on normal commercial terms and they are not able to use their position on the board to their advantage. Rent charged to the Tenant Board members was £4,178 (2018: £4,131). There are no arrears on their tenancies at the reporting period end (2018: £Nil).

One member of the Board is currently a Councillor of OMBC. All transactions with the council are on normal commercial terms and they are not able to use their position on the board to their advantage.

Note 27: Financial Instruments

The Group's and Association financial instruments may be analysed as follows:

Financial assets	**Group 2019 £'000**	Group 2018 £'000	**Association 2019 £'000**	Association 2018 £'000
Fixed assets measured at historical cost:				
- Trade receivables	816	704	816	704
- Other receivables due within one year	21,596	21,663	21,547	21,898
- Other receivables due after more than one year	58,710	73,789	58,710	73,789
- Investments in short term deposits	100	12,500	100	12,500
- Cash and cash equivalents	13,040	21,973	12,439	21,972
Total financial assets	94,262	130,629	93,612	130,863
Financial liabilities				
Financial liabilities measured at amortised cost:				
- Loans payable	25,227	32,000	25,227	32,000
Financial liabilities measured at historical cost:				
- Trade creditors	3,667	4,714	3,927	4,276
- Other creditors due within one year	9,623	10,525	9,066	11,207
- Other creditors after more than one year	12,526	8,866	12,526	8,866
Total financial assets	51,043	56,105	50,746	56,349