

# Report and Financial Statements for the Year ended 31 March 2020



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

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## Non-Executive Directors, Executives and Advisors

<p><b>Board of Directors</b>  Ged Lucas (Board Chair)  Carl Brazier (Chair Audit and Risk Committee)  Hilda Kaponda (Chair Governance and Remuneration Committee)  John Carlton (Chair of Investment and Development Committee)  Philip Pearson  Mumtaz Ali  Ronnie Clawson  Amanda Harris  Jean Mira  Ron Smith  Clare Doyle (Co-optee to Development Committee)</p> <p><b>Newly appointed</b>  Barbara Brownridge (Local Authority Nominee) – Reappointed 1 April 2019</p> <p><b>Executive Officers</b>  <b>Chief Executive</b>  Vincent Roche – Resigned 8 April 2020  Keith Wrate – Interim appointed 14 April 2020</p> <p><b>Executive Director, Customer First and Deputy Company Secretary</b>  David Smith – Resigned 17 August 2019</p> <p><b>Executive Director, Customer First</b>  Emma Davison – Appointed 17 February 2020</p> <p><b>Executive Director, Homes and Investment</b>  David Woods – Resigned 22 April 2019  Heidi Thompson – Appointed 15 July 2019</p> <p><b>Executive Director, Corporate Support</b>  Chloe Christian – Resigned 8 April 2020  Guy Johnson – Interim appointed 14 April 2020</p> <p><b>Interim Executive Director, Assets</b>  Peter Hall – Resigned 19 July 2019</p> <p><b>Group Company Secretary</b>  Susan Rudd – Resigned 17 April 2020  Juliet Craven – Appointed 17 April 2020</p> <p><b>Registered Office</b>  First Place  22 Union Street  Oldham  OL1 1BE</p> <p><b>Registered Number</b>  Registered Co-operative and Community Benefit Society number 31138R  Registered by the Homes and Communities Agency number 4582</p>	<p><b>Bankers</b>  Barclays Bank Limited  Merseyside and North Cheshire Team  11<sup>th</sup> Floor  20 Chapel Street  Liverpool  L3 9AG</p> <p><b>Solicitors</b>  Trowers and Hamlin  Heron House  Albert Square  Manchester  M2 5HD</p> <p><b>Internal Auditors</b>  Mazars LLP  1 St Peters Square  Manchester  M2 3DE</p> <p><b>Auditor</b>  BDO LLP  3 Hardman Street  Manchester  M3 3AT</p>
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## The Report of the Board of Directors

The Board of Directors present their report and audited financial statements for the year ended 31 March 2020.

### **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.

### **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 three occasions in 2019/20.

### **First Choice Homes Limited**

On 21 November 2019, FCHO established a subsidiary organisation, First Choice Homes Limited. First Choice Homes is a limited Company, registered with Companies House. Company number 12326286. First Choice Homes Limited is a dormant company, with two Directors (FCHO Officers). It is anticipated that First Choice Homes Limited will remain dormant throughout 2020/21.

### **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 twelve 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. They oversee the overall running of the company.

The Board met on nine scheduled occasions during 2019/20. In addition there were two Board Away days and a further one strategic briefing session.

## 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 2019/20
- The Governance and Remuneration Committee – the Committee met to consider its official duties on three occasions during 2019/20
- The Investment & Development Committee – the Committee met to consider its official duties on six occasions during 2019/20

## Audit and Risk Committee

The role of the Audit and Risk Committee is to ensure 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 role of 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

## Investment & Development Committee

The role of the Investment & Development Committee is to provide strategic direction and leadership to ensure that FCHO's development and investment programmes delivers the outcomes and strategic objectives set by the FCHO Board. The committee takes an overview of the organisation's development activity, monitors progress against the set targets programme and ensures 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 389 colleagues throughout 2019/20 and as at 31 March 2020 there were 374 staff in post, of which 12 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 £77,572 (2018/19: £84,103) 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 2020 is shown in the following table:-

Financial Year 2019/2020	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	99.45%	£0	£1,050.57

### 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 2020.

This statement sets out the steps that FCHO have taken in the 2019/2020 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 1.99% and a mean gender pay gap of 1.01% both of which reflect that females are slightly better rewarded than male counterparts in the organisation. (<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 Risk Management and Internal Control Framework is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and to provide reasonable assurance against material misstatement or loss.

The process for identifying, evaluating and managing the significant risks is ongoing and has been in place throughout the period commencing 1 April 2019 up to the date of approval of the report and financial statements. FCHO has a number of arrangements in place that comprise the overall internal control framework, which are used to provide Board with assurance about the adequacy of this framework.

The Board has ultimate responsibility for the system of internal control but has delegated authority to the Audit and Risk Committee to regularly review its effectiveness. It does this by reviewing the effectiveness of the system of internal control across the spectrum of the framework. This includes considering risk registers, internal audit reports, fraud reports, management assurances, the external management letter and specialist reviews.

The Audit and Risk Committee received and considered reports from management on risk management and control arrangements at each meeting during the year and the Board discusses risk and the impact of the decisions that it takes at each meeting.

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.

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 financial and reputational impact on FCHO.

Key elements of the Internal Control Framework include:

- A formally constituted Board and Committee structure supported by a Governing Framework. This includes Rules, Standing Orders, Scheme of Delegation and Terms of Reference. These detail the delegated authority for each of its Committees that 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 and Governance Effectiveness Review is carried out with support from an external consultant, Housing Quality Network. 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 that are subject to regular reviews.
- 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. An Annual Internal 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 and report 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 2019/20 there were twelve internal audits completed and these did not highlight any fundamental risks. Nine had a Substantial assurance level and three adequate.
- 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.
- Board approved Whistleblowing Policy.
- Board approved Fraud and Anti-Money Laundering Policy.

A Fraud Register is in place and any incidents of fraud or attempted fraud are recorded and reported to the Audit and Risk Committee quarterly. During 2019/20, there were three cases of attempted fraud relating to employees manipulating time sheet records to gain an advantage on hours worked. All three were discovered and rectified with disciplinary action or employee resignation.

A Whistleblowing Policy is in place and FCHO is committed to the highest standards of quality, probity, openness and accountability. The Audit and Risk Committee receives a report quarterly and during 2019/20, there was one instance of whistleblowing relating to an employee's historic criminality.

Whilst not exhaustive, the above represents the key elements within the existing system of internal controls. 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 2020, 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 1 July 2020, 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 December 2019, the RSH undertook a Stability Check and Reactive Engagement and reaffirmed the G1 rating for governance as well as upgrading the viability rating to V1, confirming that the organisation meets their viability requirements and has the financial capacity to deal with a variety of adverse scenarios.



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 1 July 2020 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 RSH's requirements of the Governance and Financial Viability Standard.

### **Statement of Director Responsibilities in respect of the Board Report and the Financial Statements**

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 2018 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 2019. 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 2018.

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 24 September 2020 and signed on its behalf by:



**Ged Lucas**  
Chair of the Board



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



**Juliet Craven**  
Company Secretary

## Strategic Report

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 and identifies business objectives which have been identified as bespoke priorities for customers and communities.

### Strategic Direction

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:

- 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)

### Our vision: Improving lives in Oldham

Our mission: To be a trusted provider of quality homes, deliver excellent landlord and support services, and create thriving and independent communities.

### Our pillars (Objectives):

1. Being an excellent landlord
2. Creating thriving communities
3. Building new homes

### Our 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 2020/21 Strategic Plan objectives.

## 2019/20 Summary

2019/20 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 2020 there were circa 3,900 (34% 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 2020 the income collection performance achieved was outstanding with an overall collection rate of 99.99%.

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 has 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 2020 there were 325 new homes on site and in progress and 224 homes completed by 31 March 2020. At the end of the third year of the development programme the grant drawn-down is £9.3m.

A key feature of 19/20 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.

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.

We witnessed some unprecedented periods of bad weather and flooding which caused some delays in our maintenance programmes. Despite this we still spent over £12m investing in our properties.

At the end of our financial year, the Government introduced stringent lockdown measures to deal with the COVID-19 pandemic. Our Leadership Team moved swiftly to implement our business continuity plans, with the majority of staff working from home. Alongside continuing to deliver essential services to our residents, including gas servicing and an emergency repairs service. We also immediately provided guidance to any resident who faced financial difficulties

## Performance Indicators and Value for Money




The Board have set a framework that include specific indicators that support the delivery of the strategic objectives, provides data to inform strategic decisions and to improve services, drive VFM and ensure FCHO are maximising the return of all its assets.

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

The information below sets out KPI results for FCHO in 2019/20, commentary on performance and improvement plans for the future.




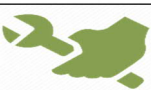


## STRATEGIC OBJECTIVE – BEING AN EXCELLENT LANDLORD

Being an Excellent Landlord	Targets 2019/20	2017/18	2018/19	2019/20	VFM Assessment	Targets 2020/21
Customer satisfaction with responsive repairs to FCHO properties	86%	91%	91.60%	83.6%		86%
% of properties with a gas safety certificate	100%	100%	100%	99.99%		100%
% of tenants satisfied with overall landlord services	N/A	78%	79%	84%		N/A


Customer Satisfaction across all touchpoint areas has been a key focus in 2019/20 and as at March 2020, 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 introduced dedicated Customer First teams in 2018/19 aimed at using the customer insight to increase satisfaction and as at March 2020 all satisfaction scores across the touchpoints had increased by over 10% compared with the first year of launch (2017/18). The Repairs satisfaction has reduced consistently due to a change in methodology to collect the data to bring in line with all other surveys (from telephony to SMS).

Although FCHO has continued to collect the landlord satisfaction and have chosen not to set a target for 19/20 and the current year ahead, 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 being above the previous level for the entire year.

	Touchpoint	2017/18 Year End	2018/19 Year End	2019/20 Year End
	Overall Landlord	78% (1200)	79% (1232)	84% (1200)
	New Tenancy	76% (101)	88% (141)	92% (172)
	Contact Centre	75% (1133)	86% (2661)	85% (3188)
	Responsive Repairs	91% (2957)	92% (2481)	*84% (1552)
	Estates: Block Cleaning	60% (580)	69% (1217)	73% (1908)
	Estates: Grounds	57% (as above)	68% (As above)	68% (as above)

## STRATEGIC OBJECTIVE - CREATING THRIVING COMMUNITIES

Create Thriving Communities	2019/20 Target	2017/18	2018/19	2019/20	VFM Assessment	Targets 2020/21
FCHO Employment Service – Number of sustained employments (over 6 months)	200	159	223	172		200

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 they 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 2019/20 FCHO has continued to concentrate on issues with low employment and financial hardship taking a 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 2019/20 the team achieved 172 employment outcomes that were sustained for six months in a very challenging year.

## STRATEGIC OBJECTIVE – BUILDING NEW HOMES

Build New Homes	2019/20 Target	2017/18	2018/19	2019/20	VFM Assessment	Targets 2020/21
Number of new homes	160	-	21	201		201

In 2019/20 FCHO's Board approved an updated development programme to deliver 850 new homes by 2025/26 at a cost of circa £161million.

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 has 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.

During 2019/20, 201 new homes were delivered, providing much needed housing for people within Oldham and surrounding areas.

## 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.

	2018/19 Target	2017/18	2018/19	2019/20	VFM Assessment	Targets 2020/21
Rent Collection	99.7%	99.22%	100.07%	99.99%		99.70%
Rent loss to voids	0.60%	0.69%	0.72%	0.78%		0.70%
Number of days lost through sickness	8.33	9.12	9.93	13.44		8.33

FCHO has continued to deliver high-performing rent collection against a challenging backdrop for 2019/20 with the continued roll out of Full Universal Credit (UC).

In April 2017, Oldham moved to the “Full” UC service resulting in a significant increase in claimants, at March 2020 c3,900 customers (34%) were in receipt of Full UC.

The 19/20 Rent Collection target was set based on FCHO’s previous experience of Live Universal Credit both in terms of customer numbers and collection rates.

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 99.99%.

The amount of rent lost to voids increased in 2019/20 and as of March 2020 the rent loss due to voids was 0.78%. The increase was attributable to an increase in the turnaround time due to higher cost voids, this position improved by year end.

The days lost to sickness is above target and work continues to focus on health and wellbeing activities and strategy and the link with absence management.

### **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.

In 2020/21 the People strategy will focus on:

- ❖ Delivering and embedding a Performance Management Framework;
- ❖ Maturing a Colleague Training and Development Plan;
- ❖ Reward and Recognition Strategy.
- ❖ Revision of all policies to be fit for a modern RP

FCHO are also focussing on linking the Wellbeing approach to target and support reducing absence and responding to colleague feedback as the three top 2 reasons for absence for the last 3 years have been mental health and musculoskeletal.

The 2020/21 strategic delivery plan further builds the previous strategy which 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’.



### Value for Money

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.

The VFM assessment is summarised below:

FCHO monitors its own trends in VFM performance as well as using 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.

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 2018/19 Global Accounts for all housing providers and also more locally, North West LSVT's 7-12 years old.

#### 2020/21 VFM Metrics - Benchmarking Results

VFM Metric		FCHO Data					Future Direction of Travel to peers	FCHO 2018/19 Quartile Performance - Global Accounts	FCHO 2018/19 Quartile Performance North West LSVT Providers - 7-12 Yrs
		2017-18 Actual	2018-19 Actual	2019-20 Actual	2020-21 Forecast	2023-24 Forecast			
1	Reinvestment %	13.99%	24.43%	14.50%	18.41%	15.59%	↑	Upper	Upper
2	New supply delivered %	0.02%	0.18%	1.70%	0.91%	1.63%	↓	Lower	Upper
3	Gearing % *	9.40%	9.29%	8.60%	14.00%	25.00%	↑	Lower	Lower
4	EBITDA MRI %	310.59%	-20.74%	243.10%	164.00%	382.00%	↑	Upper	Upper
5	Headline social housing cost per unit (£)	3,637	4,151	3,562	3,790	3,552	↑	Median	Median
6	Operating margin social housing lettings %	29.86%	16.84%	18.20%	15.72%	26.34%	↑	Lower	Lower
7	Operating margin overall %	30.71%	17.30%	15.90%	17.12%	26.95%	↑	Lower	Median
8	Return on capital employed %	7.48%	4.56%	4.40%	5.68%	6.13%	↑	Upper	Upper

Reinvestment metric considers investment in properties (existing stock as well as new supply) as a % of total properties held.

- Remains within upper quartile for 2019/20 but lower than 2018/19 due to lower investment and development expenditure at £21.1m and £32.4m respectively. This was as a result of a re-phasing/delays on a number of investment programmes during this year following periods of unprecedented bad weather during the year and the beginning of the COVID-19 pandemic.
- The outlook for 2020/21 and future years remains positive as a result of increased investment and development activity with a combined expenditure of £31m in 2020/21 and continued

provision within the Financial Plan. This will also be reviewed as part of the future Asset Management and Development Strategies.

The new supply metric considers the units acquired or developed in a year as a % existing stock:

- Upper quartile at 1.7% comparing favourably to the peer median of 0.52% as a result of the 203 units added during 2019/20.
- The outlook for 2020/21 is trending slightly lower, at 0.91%, as a result of a reduction in the number of planned units (102) although this is anticipated to increase in future years with increased new units and 2023/24 projected at 1.63%.

Gearing measures the proportion of borrowing in relation to the size of the asset base.

- Gearing has fallen during 2019/20, to 8.6%, as a result of a higher asset base and a fall in net debt during the year. FCHO compares well against our peer group median, 23.65%, demonstrating a strong financial base to support the delivery of the development and asset management programmes in future years.
- Currently, the drawn loan balance remains below target as a result of a lower number of units under construction.
- Gearing metric is anticipated to increase during 2020/21, as cash is used to fund our development from existing reserves and the outlook for future years is to borrow from the loan facility but still remain in a healthy position, anticipated at 25% by 2023/24.

EBITDA MRI measures financial performance before factoring financing cost, depreciation or accounting policies on major repairs. *(It is an approximation of cash generated to cover interest payments and is a key indicator for liquidity and investment capacity).*

- During 2018/19 there were a number of one off items which impacted this metric, including the £3m impairment of two tower blocks along with a c£2m pension adjustment, resulting in a negative metric of (20.74)%.
- The 2019/20 metric has improved at 243.10% and is now within the upper quartile demonstrating significant headroom to meet interest payments on current and future borrowings.
- EBITDA MRI is expected to decrease in 2020/21, as the benefit of the CPI+1% rent increase from April 2020 is offset with a short term increase Bad Debts and Voids (combined 6.5% In 2020/21) due to the COVID-19 pandemic. Performance on this metric is set to improve in 2021/22.

#### Headline Social Housing Cost per Unit

**FCHO 2019/20 VFM Metric Benchmarking - Breakdown of Headline Social Housing Cost per Unit**

Headline Social Housing Cost per Unit (£)	19/20 Actual	20/21 Budget	North West LSVT Providers - 7-12 Yrs			FCHO Quartile Performance
			Lower Quartile	Median Quartile	Upper Quartile	
Management costs	1,125	1,181	1,038	1,125	1,213	Median
Service charge costs	308	269	160	204	319	Upper
Routine and Planned maintenance costs	873	920	688	832	1,111	Median
Major and Capitalised repairs expenditure	1,038	1,365	562	788	1,525	Upper
Development services	122	36	0	0	0	No Cost
Other social housing activities: Other	96	20	0	218	252	Lower
<b>Headline social housing cost per unit (£)</b>	<b>3,562</b>	<b>3,790</b>	<b>2,454</b>	<b>3,220</b>	<b>4,636</b>	

- Headline Social Housing Cost is lower for 2019/20, at £3,562, due to the reduction in the investment expenditure caused by the re-phasing of works, as previously reported, and moving works to 2020/21 following further validation work. In the original 2019/20 budget, the cost per unit was £3,973.
- The forecast for 2020/21 is £3,790 and includes the investment work not carried out in 2019/20, scheduled subject to COVID-19 restrictions. Overall, the cost per unit is in the median quartile with service charge costs and major repairs in the upper quartile.
- The overall headline cost per unit is also forecast to remain within the median quartile for future years with a positive direction of travel with 2023/24 at £3,552.

Operating Margin measures the profitability of operating assets before any interest and exceptional expenses are taken into account. *(It is a key indicator for the efficiency of an organisation)*

- Operating surpluses have fallen since 2017/18, remaining at similar levels for both 2018/19 and 2019/20. The impairment of tower blocks in 2018/19 and £1.1m write off of development costs during 2019/20 have impacted operating results.
- The overall operating margins is are expected to improve during 2020/21, subject to COVID-19, and future years, helped by the impact of the CPI+1% rent increase in April 2020 and budgetary control.

Return on Capital Employed compares the operating surplus to total assets less current liabilities. *(It is a common measure in the commercial sector to assess the efficient investment of capital resources)*

- FCHO has an existing VAT shelter which impacts this metric. FRS102 requires Registered Providers to state both a current debtor and long term creditor for the full works shelter amount, regardless of the sharing agreement. This indicator includes the debtor but not long term creditor therefore this needs to be taken into account when reviewing results.
- The result for 19/20 is in line with budget expectations and the outlook is for this to remain constant at approximately 6% and within the current upper quartile.

### VFM Future Plans – 2020/21

FCHO's future areas of VFM focus in 2020/21 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 Policy Reviews – increasing the financial performance of our stock
- Development of Asset Management Strategy linked to the Development Strategy, and a Sustainability Strategy to improve future investment in existing stock whilst also considering carbon neutral requirements.
- 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

The principal uncertainty currently facing FCHO is the impact of the ongoing global COVID-19 outbreak. The Board and Executive Team continue to monitor the effects of the outbreak, including UK Government advice, and acknowledge that FCHO faces a prolonged period of uncertainty. While the evolving nature of the situation means it is not possible to accurately quantify the financial impact, the association is in a good financial position to help manage this risk. Steps are being taken, on an ongoing basis, to minimise the impact on FCHO activities and the effect this may have on the organisation's residents and stakeholders. Infrastructure and processes are in place to allow staff to work remotely and the key priority is to ensure, as far as possible, that FCHO's housing services are still available when needed.

Each risk within the risk register is regularly 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.

During 2020/21 work to improve the risk framework further is taking place to provide a clearer link between the controls in place, performance triggers and management of the risks.

The key risks are detailed below along with key mitigation and controls.

Risk	Mitigation and Controls
Failure to deliver the development ambitions	Enlarged development team with additional focus on land and planning. Cross department appraisal process and development working group. Close contacts with local communities. Homes England Scheme Compliance Audits. Dedicated Board Investment and Development Committee.
Failure to develop strategic relationships and partnerships	Relationships maintained with Local Authority, MPs and other key partners and agencies.
Welfare Reform and impact of economy on tenants	Training and awareness provided to staff. Additional support provided to customers to maximise their income and awareness of benefits. Increased focus on employment opportunities and poverty prevention. Robust arrears process introduced Income collection KPIs The Bread and Butter Thing to support those who cannot afford to eat
Impact of government policy on business	Establish a framework of awareness and horizon scanning. Scenario Planning alongside corporate and financial planning. Stress testing Attendance at virtual seminars and conferences
Failure to deliver effective change management	Improved performance management framework being introduced. Maturing a Colleague Training and Development Plan Improvements to Reward and Recognition Strategy. Revision of all policies to be fit for a modern RP Regular Staff surveys and improved KPIs

<p>Failure to meet landlord health, safety and compliance requirements</p>	<p>Health &amp; Safety KPIs                  Health &amp; Safety Assurance reporting to Executive                  Quarterly Health &amp; Safety Assurance report to Board                  Health &amp; Safety Committee                  Health &amp; Safety governance internal audit</p>
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### Financial Performance of the Year Ended March 2020

Following completion of the stock transfer offer, FCHO continues to meet 100% decency of its stock. Future investment works over the next three years will be focussed on completing fire safety measures, external works and tower block refurbishments.

With regard to FCHO financial performance, the turnover was £50.8m with an operating surplus of £9.9m. FCHO made a surplus for the year of £7.7m before taxation. In 2019/20, 58% 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:

- Increase in repairs and maintenance expenditure of £0.5m relating to additional volume and value of works following periods of extreme weather.
- The write off of £1.1m of development costs, as a result of challenges within our development programme resulting in some schemes no longer being viable.
- Additional management costs of £0.4m following internal management restructuring and recruitment.

The accounting policies applied are shown on pages 32 to 59.

<b>Consolidation</b>	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
<b>Income &amp; expenditure account</b>		
Turnover	50,777	49,826
Operating costs	(42,686)	(41,207)
Surplus on disposal of fixed assets	1,761	1,652
Operating surplus	<u>9,852</u>	<u>10,272</u>
Surplus for the year after taxation	<u>7,739</u>	<u>7,538</u>
<b>Balance Sheet</b>		
Housing properties net of depreciation	146,553	131,115
Other tangible assets	10,291	10,265
Net current assets	<u>68,203</u>	<u>83,932</u>
	<u>225,047</u>	<u>225,312</u>
Creditors due after one year	41,571	37,753
Provisions - Pension Liability & VAT Shelter	78,316	104,821
Revenue Reserve	<u>105,160</u>	<u>82,737</u>
	<u>225,047</u>	<u>225,312</u>
<b>Operational indicators</b>		
Total housing stock	11,570	11,445
Arrears of rent and service charges as a % of Rent Debit	2.46%	2.24%
Total loans due in 5 years or more	25,500	25,500
Operating Margin	19%	21%

### 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 27% of pensionable pay.

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 investment 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 been put in place at the time of the stock transfer from Oldham Council in 2011.

### Cash Flow and Liquidity

The net cash inflow from operating activities before interest costs was £16.2m. Bank balances and short term investments were £12.7m 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 2020 showed that the company was compliant with all covenants.

### **Going Concern**

The World Health Organisation classed COVID-19 as a pandemic on 11 March 2020. Following that announcement the UK Government introduced various measures to address the impact in the UK, resulting in lockdown from 23 March 2020.

In line with Government guidelines, FCHO adopted a number of measures to ensure the safety of tenants, staff and business partners during this time, such as:

- We postponed major component replacements such as kitchens and bathrooms and stopped all non-emergency repairs, recommencing work again in June 2020.
- All construction on our development program was halted in line with Government recommendations to protect our staff and business partners. All decisions on uncommitted schemes were put on hold.
- Continued with our program of Gas safety testing, wherever possible, balancing the risks of carbon monoxide poisoning against the need to protect residents and staff from COVID-19.
- Provided regular contact with vulnerable tenants and ensured that our food offer remained operational so that those in need had access to the food they needed.
- Provided guidance and support to those residents who faced financial difficulties.

All staff, where possible, adopted working from home. Where staff were not able to work from home, they were redeployed where appropriate to provide support to other areas of the organisation

These measures, inevitably, had an impact on the performance of the organisation in a number of areas:

- Maintenance spend and component replacement was under budget by £5.1m. We have increased the budget for 2020/21 to catch up on the planned programs. We have budgeted for an additional increase in maintenance costs as a shortage of materials is expected to start to result in price rises
- Expenditure on PPE has increased to ensure the safety of those staff members that do need to enter residents properties
- Increased our provision for doubtful debts to reflect the impact of financial hardship that C-19 has had on certain groups of our tenants

The impact on global markets could impact or lead to an increased deficit on our defined benefit pension scheme, however during the year, the deficit fell by £13.6m.

The board have reviewed FCHO future financial forecasts and were content that these plans were affordable and that the accounts should be prepared on a going concern basis.

However, the impact of the COVID-19 outbreak and its financial effect has meant that the Executive Team and Board have been reviewing financial plans for the next five years to ensure the organisation can remain a going concern. The Association has modelled a number of stress test scenarios based on current estimates of rent collection, maintenance and development expenditure.



The board will continue to review plans with the Executive Team to make the necessary changes to allow continued work with our customers and stakeholders to deliver our services in the most efficiency and effective way.

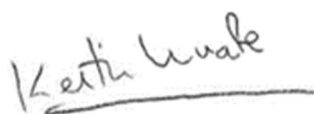
The Government's decisions on social distancing have had a significant effect on our financial situation and resulted in an estimated c£2.6m reduction in operating surplus for 2020/21. This will not cause FCHO to breach our bank covenants. Much of this is from income collection as we have seen difficulties for residents to pay their rent, as well as an increase in operating costs offset by some delays in planned maintenance.

The length of the COVID-19 outbreak and the measures taken by the Government to contain this are not known and outside of our control but we have put processes in place to manage cashflow on a weekly basis and review financial stability as matters progress.

Given the strength of the balance sheet and availability and liquidity of undrawn loan facilities, totalling around £70m, the board believe that, while uncertainty exists, this does not pose a material uncertainty that would cast doubt on the Associations ability to continue as a going concern. The board, therefore, consider it appropriate for the accounts to be prepared on a going concern basis.

### Approval

This strategic report was approved by the Board of Directors on 24 September 2020

A handwritten signature in black ink that reads 'Keith Wrate'. The signature is written in a cursive style and is underlined with a single horizontal line.

Keith Wrate  
**Interim Chief Executive**

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FCHO

We have audited the financial statements of First Choice Homes Oldham ("the Association") and its subsidiaries ("the Group") for the year ended 31 March 2020 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 reserves, 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 2020 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 2019.

### 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 Chair's Statement, Report of the Board of management and 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.

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where we are required by the Co-operative or Community Benefit Societies Act 2014 or the Housing and Regeneration Act 2008 to report to you if, in our opinion:

- the information given in the Report of the Board for the financial year for which the financial statements are prepared is not consistent with the financial statements;
- adequate accounting records have not been kept by the parent Association; or
- a satisfactory system of control has not been maintained over transactions; or
- the parent Association financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

### **Responsibilities of the board**

As explained more fully in the Statement of Board's Responsibilities set out on page 26, 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**

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### **Use of our report**

This report is made solely to the members of the Association, as a body, in accordance with in accordance with the Housing and Regeneration Act 2008 and the Co-operative and Community Benefit Societies Act 2014. 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.

BDO LLP

BDO LLP  
Statutory Auditor  
Manchester

Date: 24 September 2020

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 2020	Note:	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Turnover	2	50,777	49,826
Operating costs	2	(42,686)	(41,207)
Surplus/(deficit) on disposal of housing properties		1,761	1,652
<b>Operating surplus</b>		<b>9,852</b>	<b>10,272</b>
Interest receivable and similar income	7	73	150
Interest and financing costs	6	(2,186)	(2,884)
Gift aid from subsidiary undertakings	9	-	-
<b>Surplus before taxation</b>		<b>7,739</b>	<b>7,538</b>
Taxation on surplus	9	-	-
<b>Surplus for the financial year after taxation</b>		<b>7,739</b>	<b>7,538</b>
Other comprehensive income:			
Actuarial (losses)/gains on defined benefit pension scheme	12	14,684	(5,833)
<b>Total comprehensive income for year</b>		<b>22,423</b>	<b>1,705</b>

The consolidated results relate wholly to continuing activities.

The notes on pages 32 to 59 form part of these financial statements.

## Association statement of comprehensive income

For the year ended 31 March 2020	Note:	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Turnover	2	50,777	49,826
Operating costs	2	(42,675)	(39,548)
Surplus/(deficit) on disposal of housing properties		1,762	-
<b>Operating surplus</b>		<b>9,864</b>	<b>10,278</b>
Interest receivable and similar income	7	73	150
Interest and financing costs	6	(2,186)	(2,884)
Gift aid from subsidiary undertaking	9	351	11
<b>Surplus before taxation</b>		<b>8,102</b>	<b>7,554</b>
Taxation on surplus	9	-	-
<b>Surplus for the financial year after taxation</b>		<b>8,102</b>	<b>7,554</b>
Other comprehensive income:			
Actuarial (losses)/gains on defined benefit pension scheme	12	14,684	(5,833)
<b>Total comprehensive income for year</b>		<b>22,786</b>	<b>1,721</b>

The association's results relate to continuing operations.

The notes on pages 32 to 59 form part of these financial statements.

## Consolidated and Association statement of financial position

For the year ended 31 March 2020

	Note:	Group 2020 £'000	Group 2019 £'000	Association 2020 £'000	Association 2019 £'000
<b>Tangible Fixed assets</b>					
Housing properties	13	146,553	131,115	147,178	131,490
Other fixed assets	14	10,291	10,265	10,291	10,265
		<u>156,844</u>	<u>141,380</u>	<u>157,469</u>	<u>141,755</u>
<b>Current Assets</b>					
Properties held for sale	15	52	1,132	52	1,132
Debtors - receivable after one year	16	48,953	58,710	48,953	58,710
Debtors - receivable within one year	16	17,418	24,239	17,403	24,189
Investments in short term deposits		3,100	100	3,100	100
Cash and cash equivalents		9,600	13,040	9,339	12,439
		<u>79,123</u>	<u>97,222</u>	<u>78,847</u>	<u>96,570</u>
<b>Creditors: amounts falling due within one year</b>	17	(10,920)	(13,290)	(10,886)	(12,993)
<b>Net current assets</b>		<u>68,203</u>	<u>83,932</u>	<u>67,961</u>	<u>83,577</u>
<b>Total assets less current liabilities</b>		<u>225,047</u>	<u>225,312</u>	<u>225,430</u>	<u>225,331</u>
<b>Creditors: amounts falling due after more than one year</b>	18	(41,571)	(37,753)	(41,571)	(37,753)
<b>Provisions for liabilities and charges</b>					
Other provisions	21	(62,410)	(76,618)	(62,410)	(76,618)
Pension liability	12	(15,906)	(28,203)	(15,906)	(28,203)
<b>Total net assets</b>		<u>105,160</u>	<u>82,737</u>	<u>105,543</u>	<u>82,757</u>
<b>Capital and reserves</b>					
Income and expenditure reserve		105,160	82,737	105,543	82,757
<b>Total reserves</b>		<u>105,160</u>	<u>82,737</u>	<u>105,543</u>	<u>82,757</u>

The financial statements were issued and approved by the Board of Directors on 24 September 2020 and were signed on its behalf by:



Ged Lucas  
Chair



Carl Brazier  
Chair of Audit and Risk Committee

The notes on pages 32 to 59 form part of these financial statements.

## Consolidated statement of changes in reserves

	Note:	Income and expenditure reserve	Total
<b>For the year ended 31 March 2020</b>		<b>£'000</b>	<b>£'000</b>
Balance as at April 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)
<b>Balance as at 31 March 2019</b>		<b>82,737</b>	<b>82,737</b>
Surplus for the year		7,739	7,739
Other Comprehensive Income for the year:			
Actuarial gain relating to pension scheme	12	14,684	14,684
<b>Balance as at 31 March 2020</b>		<b>105,160</b>	<b>105,160</b>

The notes on pages 32 to 59 form part of these financial statements.



## Association statement of changes in reserves

	Note:	Income and expenditure reserve	Total
<b>For the year ended 31 March 2020</b>		<b>£'000</b>	<b>£'000</b>
Balance as at April 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)
<b>Balance as at 31 March 2019</b>		<b>82,757</b>	<b>82,757</b>
Surplus for the year		8,102	8,102
Other Comprehensive Income for the year:			
Actuarial gain relating to pension scheme	12	14,684	14,684
<b>Balance as at 31 March 2020</b>		<b>105,543</b>	<b>105,543</b>

The notes on pages 32 to 59 form part of these financial statements.

## Consolidated statement of cash flows

### Group and Association

	2020	2019
	£'000	£'000
<b>For the year ended 31 March 2020</b>		
<b>Cash flows from operating activities</b>		
<b>Surplus for the financial year</b>	7,739	7,538
Adjustments for:		
Interest payable and finance costs	2,186	2,884
Interest received	(73)	(150)
Depreciation on tangible fixed assets - housing properties	5,337	4,851
Depreciation on fixed assets - other	360	359
Amortised grant	(125)	(78)
Difference between net pension expense and cash contribution	1,689	1,369
Surplus on the sale of fixed assets - housing properties	(2,030)	(1,652)
Impairment Charge	-	2,457
Decrease/(increase) in trade and other debtors	2,198	(1,206)
Properties for sale - stock	1,080	(1,132)
Increase/(decrease) in trade and other creditors	(665)	(900)
<b>Cash from operations</b>	<u>17,696</u>	<u>14,340</u>
Taxation paid	-	-
<b>Net cash generated from operating activities</b>	<u>17,696</u>	<u>14,340</u>
<b>Cash flows from investing activities</b>		
Proceeds from sale of fixed assets - housing properties	2,598	2,047
Purchase of fixed assets - housing properties	(22,313)	(30,448)
Purchase of fixed assets - other	(911)	(534)
Cash and similar investments	(1)	1
Receipt of grant	3,852	2,668
Interest received	72	161
<b>Net cash used in investing activities</b>	<u>(16,703)</u>	<u>(26,104)</u>
<b>Cash flows from financing activities</b>		
Interest paid	(1,433)	(3,070)
Repayment of loans - bank	-	(6,500)
Transfer from deposits	(3,000)	12,400
<b>Net cash used in financing activities</b>	<u>(4,433)</u>	<u>2,830</u>
<b>Net change in cash and cash equivalents</b>	(3,440)	(8,933)
Cash and cash equivalents at beginning of the year	13,040	21,973
Net cash movement	(3,440)	(8,933)
<b>Cash and cash equivalents at end of the year</b>	<u><u>9,600</u></u>	<u><u>13,040</u></u>

The notes on page 32 to 59 form part of these financial statements.

## Notes to the financial statements for the year ended 31 March 2020

### Note 1: Accounting Policies

#### Legal status

The association First Choice Homes Oldham Limited (FCHO) is registered with the Financial Conduct Authority under the Co-operative and Community Benefit Societies Act 2014 and is registered with the Regulator of Social Housing as a social housing provider. The association is a Public Benefit Entity (PBE) and is incorporated in the United Kingdom.

FCHO has one subsidiary; New Living Homes Limited 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 2018, and comply with the Accounting Direction for Private Registered Providers of Social Housing 2019. 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:

- 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). All intercompany transactions and balances between the group companies are eliminated in full on consolidation.

#### *Going concern*

The group's business activities, its current financial position and factors likely to affect its future development are set out with the Strategic Report. The group has in place long-term debt facilities which provide adequate resources to finance committed reinvestment and development programmes, along with the group's day to day operations. The group also has long-term business plan which shows that it is able to service these debt facilities whilst continuing to comply with lenders covenants.

On this basis, the Board has reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis in the financial statements.

## Notes to the financial statements for the year ended 31 March 2020

### **Note 1: Accounting Policies (continued)**

#### ***Income***

Income is measured at the fair value of the consideration received or receivable. The group generates the following material income streams:

- rental income receivable (after deducting lost rent from void properties available for letting)
- first tranche sales of Low Cost Home Ownership
- service charges receivable
- proceeds from the sale of housing property

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 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 costs associated with the financing of housing construction contracts are capitalised. The interest rate used is the average borrowing rate in the year and this rate is applied to the expenditure during the course of construction of the property, up to the date of property handover.

Other Interest Payable is charged to the Statement of Comprehensive Income in the year

## Notes to the financial statements for the year ended 31 March 2020

### Note 1: Accounting Policies (continued)

#### *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 until they are completed and ready for use to ensure that they are depreciated only in the periods in which economic benefits are expected to be consumed. 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.

Associated professional fees and development staff costs are capitalised to the extent that those staff are working on development schemes.

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.

Housing properties are split between the structure and the major components which require periodic replacement, each component is accounted for separately and depreciated over its individual useful economic life. 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.

Gains and losses on disposal of housing properties are determined by comparing the proceeds with the carrying amount and incidental costs of sales and recognised within gains/loss on disposal of fixed assets in the Statement of Comprehensive Income.

#### *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 2018), 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

## Notes to the financial statements for the year ended 31 March 2020

### Note 1: Accounting Policies (continued)

#### *Improvements to housing properties and depreciation continued*

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 Statement of Comprehensive Income 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 than a detailed assessment is undertaken to compare the carrying amount of assets or Cash Generating Units (CGUs) for which impairment is indicated to their recoverable amounts.

An options appraisal is carried out to determine the option which produces the highest net realisable value. Valuations on rental return or potential sale proceeds are obtained and used to inform the options. A detailed assessment is undertaken to compare the fair value less costs to sell to the Existing Use Value for Social Housing (EUV-SH). EUV-SH is used as the estimate of the recoverable amount of the property. If this is lower than the net book value, the CGUs are then assessed for their value in use by calculating a Depreciated Replacement Cost (DRC) for these assets.

The DRC will be based upon the lower of:

- the cost of constructing an equivalent asset on the same site together with the original land costs; or
- the cost of acquiring an equivalent asset on the open market

The Group defines cash generating units as schemes except where its schemes are not sufficiently large enough in size or where geographically sensible to group schemes into larger CGU's. Where housing properties have suffered a permanent diminution in value, the fall in value is recorded through a charge to the Statement of Comprehensive income.

#### *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 once performance-related conditions have been met.

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.

## Notes to the financial statements for the year ended 31 March 2020

### Note 1: Accounting Policies (continued)

#### *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 measured at historical cost less accumulated depreciation. Depreciation is charged evenly on a straight-line basis over the expected useful lives of the other fixed assets. No depreciation is provided on freehold land. Costs over £1,000 will be capitalised and depreciated as follows:

<b>Other Fixed Assets</b>	<b>UEL (Years)</b>
Office Premises	80
Plant & Machinery	3 - 7
Office & Computer Equipment	3 - 5
Furniture, Fixtures & Fittings	4
Vehicles	5
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.

#### *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 date.

#### *Leasing Commitments*

Rentals paid under operating leases will be charged to the Statement of Comprehensive Income on an accruals basis over the term of the lease.

## Notes to the financial statements for the year ended 31 March 2020

### Note 1: Accounting Policies (continued)

#### ***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).

The Group also participates in a defined contribution scheme contributions payable under this scheme are charged in the Statement of Comprehensive Income in the period to which they relate.

#### ***Bad Debts and Write-Offs***

Bad debts will be charged to the Statement of Comprehensive Income 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 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 2019/20 therefore any spend above this level will be shared 50/50 with OMBC. Related assets and liabilities are shown at gross values.

#### ***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.

#### ***Cash and cash equivalents***

Cash and cash equivalents in the group 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.



## Notes to the financial statements for the year ended 31 March 2020

### Note 1: Accounting Policies (continued)

#### ***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) 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.
- d) What constitutes a cash generating unit when indicators of impairment require there to be an impairment review.

#### **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 group's 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 instruments are basic financial instruments and have been accounted for as such.

## Notes to the financial statements for the year ended ended 31 March 2020

### Note 2: Particulars of turnover, cost of sales, operating costs and operating surplus - Group

	Turnover 2020 £'000	Cost of sales 2020 £'000	Operating expenditure 2020 £'000	Operating Surplus/ (Deficit) 2020 £'000
<b>Social housing lettings (note 3)</b>	46,245	-	(37,838)	8,407
<b>Other social housing activities</b>				
Management fee	930	-	(833)	97
First tranche low cost home ownership sales	2,328	(2,060)	-	268
Development administration	-	-	(1,406)	(1,406)
Other	785	-	(281)	504
<b>Activities other than Social Housing</b>				
Other	489	-	(268)	221
<b>Total</b>	<u>50,777</u>	<u>(2,060)</u>	<u>(40,626)</u>	<u>8,091</u>
Surplus on disposal of fixed assets				1,761
	<u><u>50,777</u></u>	<u><u>(2,060)</u></u>	<u><u>(40,626)</u></u>	<u><u>9,852</u></u>
	Turnover 2019 £'000	Cost of Sales 2019 £'000	Operating expenditure 2019 £'000	Operating Surplus/ (Deficit) 2019 £'000
<b>Social housing lettings (note 3)</b>	46,217	-	(38,434)	7,784
<b>Other social housing activities</b>				
Management fee	2,262	-	(2,159)	103
Other	727	-	(331)	396
<b>Activities other than Social Housing</b>				
Other	620	-	(283)	337
<b>Total</b>	<u>49,826</u>	<u>-</u>	<u>(41,207)</u>	<u>8,620</u>
Surplus on disposal of fixed assets				1,652
	<u><u>49,826</u></u>	<u><u>-</u></u>	<u><u>(41,207)</u></u>	<u><u>10,272</u></u>

## Notes to the financial statements for the year ended 31 March 2020

### Note 2: Particulars of turnover, cost of sales, operating costs, and operating surplus - Association

	Turnover 2020 £'000	Cost of Sales 2020 £'000	Operating expenditure 2020 £'000	Operating Surplus/ (Deficit) 2020 £'000
<b>Social housing lettings (note 3)</b>	46,245	-	(37,827)	8,418
<b>Other social housing activities</b>				
Management fee	930	-	(833)	97
First tranche low cost home ownership sales	2,328	(2,060)	-	268
Development administration	-	-	(1,406)	(1,406)
Other	785	-	(281)	504
<b>Activities other than Social Housing</b>				
Other	489	-	(268)	221
<b>Total</b>	<u>50,777</u>	<u>(2,060)</u>	<u>(40,615)</u>	<u>8,102</u>
Surplus on disposal of fixed assets				1,761
	<u><u>50,777</u></u>	<u><u>(2,060)</u></u>	<u><u>(40,615)</u></u>	<u><u>9,863</u></u>
	Turnover 2019 £'000	Cost of Sales 2019 £'000	Operating expenditure 2019 £'000	Operating Surplus/ (Deficit) 2019 £'000
<b>Social housing lettings (note 3)</b>	46,217	-	(38,428)	7,790
<b>Other social housing activities</b>				
Management fee	2,262	-	(2,159)	103
Other	727	-	(331)	396
<b>Activities other than Social Housing</b>				
Other	620	-	(283)	337
<b>Total</b>	<u>49,826</u>	<u>-</u>	<u>(41,201)</u>	<u>8,626</u>
Surplus on disposal of fixed assets				1,652
	<u><u>49,826</u></u>	<u><u>-</u></u>	<u><u>(41,201)</u></u>	<u><u>10,278</u></u>

## Notes to the financial statements for the year ended 31 March 2020

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

	2020	2020	Total	2019
	General	Shared		Total
	Needs	Ownership		
	Housing			
	£'000	£'000	£'000	£'000
<b>Income from social housing lettings</b>				
Rent receivable net of identifiable service charges	43,945	35	43,980	44,325
Service charge income	2,138	2	2,140	1,814
Amortised government grants	125	-	125	78
<b>Turnover from social housing lettings</b>	46,208	37	46,245	46,217
<b>Expenditure on social housing lettings</b>				
Management	(13,018)	(2)	(13,020)	(11,875)
Service charge costs	(3,565)	(2)	(3,567)	(3,655)
Routine maintenance	(7,431)	-	(7,431)	(7,268)
Planned maintenance	(2,664)	-	(2,664)	(2,936)
Bad debts	(424)	-	(424)	(334)
Major repairs expenditure	(5,035)	-	(5,035)	(4,330)
Depreciation of housing properties	(5,697)	-	(5,697)	(5,210)
Impairment Costs	-	-	-	(2,457)
Other costs	-	-	-	(368)
Operating expenditure on social housing lettings	(37,834)	(4)	(37,838)	(38,434)
<b>Operating Surplus on Social Housing Lettings</b>	8,374	33	8,407	7,784
<b>Void Losses</b>	587	-	587	547

## Notes to the financial statements for the year ended 31 March 2020

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

	2020		2019	
	General Needs Housing £'000	Shared Ownership £'000	Total £'000	Total £'000
<b>Income from social housing lettings</b>				
Rent receivable net of identifiable service charges	43,945	35	43,980	44,325
Service charge income	2,138	2	2,140	1,814
Amortised government grants	125	-	125	78
<b>Turnover from social housing lettings</b>	46,208	37	46,245	46,217
<b>Expenditure on social housing lettings</b>				
Management	(13,007)	(2)	(13,009)	(11,869)
Service charge costs	(3,565)	(2)	(3,567)	(3,655)
Routine maintenance	(7,431)	-	(7,431)	(7,268)
Planned maintenance	(2,664)	-	(2,664)	(2,936)
Bad debts	(424)	-	(424)	(334)
Major repairs expenditure	(5,035)	-	(5,035)	(4,330)
Depreciation of housing properties	(5,697)	-	(5,697)	(5,210)
Impairment Costs	-	-	-	(2,457)
Other Costs	-	-	-	(368)
Operating expenditure on social housing lettings	(37,823)	(4)	(37,827)	(38,427)
<b>Operating Surplus on Social Housing Lettings</b>	8,385	33	8,418	7,790
<b>Void Losses</b>	587	-	587	547

## Notes to the financial statements for the year ended 31 March 2020

<b>Note 4: Operating Surplus</b>	<b>Group</b>	<b>Group</b>	<b>Association</b>	<b>Association</b>
	<b>2020</b>	2019	<b>2020</b>	2019
	<b>£'000</b>	£'000	<b>£'000</b>	£'000
The operating surplus is arrived at after charging:				
Tangible fixed assets depreciation and impairment:				
Housing stock	5,264	4,851	5,264	4,851
Accelerated depreciation on replaced components	73	-	73	-
Impairment of housing properties	-	2,457	-	2,457
Other fixed assets	360	359	360	359
Auditor's remuneration:				
Amounts paid to BDO LLP (excluding VAT):				
In their capacity as auditor's	30	28	23	22
Fees for other non-audit services	7	7	5	7
Operating lease charges:				
Land and buildings	26	25	26	25
Other	624	631	624	631
	<u>624</u>	<u>631</u>	<u>624</u>	<u>631</u>
<b>Note 5: Surplus on sale of fixed assets - housing properties</b>	<b>Shared Ownership</b>	<b>Other housing properties</b>	<b>Total</b>	<b>Total</b>
<b>Group and Association</b>	<b>2020</b>	<b>2020</b>	<b>2020</b>	2019
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	£'000
Disposal proceeds	2,328	2,379	4,707	2,164
Carrying value of fixed assets	(2,060)	(508)	(2,568)	(395)
	<u>268</u>	<u>1,871</u>	<u>2,139</u>	<u>1,769</u>
Recycled Capital Grant (note 20)	<u>-</u>	<u>(109)</u>	<u>(109)</u>	<u>(117)</u>
Total surplus on sale of fixed assets	<u>268</u>	<u>1,762</u>	<u>2,030</u>	<u>1,652</u>

**Notes to the financial statements for the year ended  
31 March 2020**

**Note 6: Interest payable and similar charges**

<b>Group and Association</b>	<b>2020</b>	2019
	<b>£'000</b>	£'000
Bank loans and overdrafts	(1,610)	(2,368)
Other finance costs	(470)	(366)
Disposal Proceeds Fund & Recycled Capital Grant	(1)	-
Net interest on net defined benefit pension liability (note 12)	(698)	(569)
	<u>(2,779)</u>	<u>(3,303)</u>
Interest payable capitalised on housing properties under construction	593	419
	<u>(2,186)</u>	<u>(2,884)</u>
Capitalised rate used to determine the finance costs capitalised during the period	8.3%	8.3%

**Note 7: Interest receivable and other income**

<b>Group and Association</b>	<b>2020</b>	2019
	<b>£'000</b>	£'000
Interest receivable and similar income	73	150
	<u>73</u>	<u>150</u>



## Notes to the financial statements for the year ended 31 March 2020

### Note 8: Units of housing stock

#### Group and Association

	2020	2019
	No. of properties	No of properties
Social Housing	10,595	10,669
Affordable - General needs	831	769
Low cost home ownership	32	7
Intermediate rent	112	-
<b>Total Owned</b>	<u>11,570</u>	<u>11,445</u>
Units under construction	<u>101</u>	<u>205</u>

### 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 £0.0352m in the period ended 31 March 2020 (2019:£0.011m). New Living Homes Ltd intends to make a gift aid payment to FCHO within 9 months of the year end to eliminate any taxable profits.

**Notes to the financial statements for the year ended  
continued for the 31 March 2020**

**Note 10: Directors remuneration**

	<b>Group 2020 £'000</b>	<b>Group 2019 £'000</b>	<b>Association 2020 £'000</b>	<b>Association 2019 £'000</b>
The aggregate emoluments paid to or receivable by non-executive directors and former non-executive directors excluding pension contributions	51	47	51	47
The aggregate emoluments paid to or receivable by executive directors and former executive directors excluding pension contributions	959	853	959	853
The emoluments paid to the highest paid director excluding pension contributions	144	141	144	141
The aggregate amount of directors or past directors pensions	109	122	109	122

Directors are defined as, Non-Executive Directors, Chief Executive and the Executive Management Team. These are considered to be the key management personnel 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 members	<b>2020 £'000 Remuneration</b>	2019 £'000 Remuneration	<b>Member of: Audit &amp; Risk Committee</b>	<b>Remuneration Committee</b>	<b>Group Board</b>	<b>New Living Homes Board</b>
Board member						
Gerard Lucas	10	10		X	X	X
Matthew Jones	-	1				
Pauline Richardson	-	5				
Carl Brazier	5	5	X		X	
Hilda Kaponda	5	5		X	X	
John Carleton	5	5			X	X
Philip Pearson	4	4	X	X	X	
Mumtaz Ali	4	4	X		X	
Ronald Smith	4	2			X	
Jean Mira	4	2	X	X	X	
Clare Doyle	2	2				X
Amanda Harris	4	2		X	X	
Ronnie Clawson	4	2	X		X	
	<u>51</u>	<u>47</u>				

The aggregate amount of expenses paid to Board members in the period was £4,076 (£4,913 in 2019).

## Notes to the financial statements for the year ended 31 March 2020

### 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):

	<b>Group 2020 No.</b>	<b>Group 2019 No.</b>	<b>Association 2020 No.</b>	<b>Association 2019 No.</b>
Housing maintenance	132	134	132	134
Housing management	162	178	162	178
Support services	23	24	23	24
Development	11	8	11	8
Other services	61	63	61	63
	<u>389</u>	<u>407</u>	<u>389</u>	<u>407</u>

Staff costs (including Executive Management Team) consist of:

	<b>Group 2020 £'000</b>	<b>Group 2019 £'000</b>	<b>Association 2020 £'000</b>	<b>Association 2019 £'000</b>
Wages and salaries	11,961	11,559	11,961	11,559
Social Security costs	1,136	1,099	1,136	1,099
Cost of defined benefit scheme	3,080	2,861	3,080	2,861
Cost of defined contribution scheme	401	294	401	294
	<u>16,578</u>	<u>15,813</u>	<u>16,578</u>	<u>15,813</u>

Employers & 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:

<b>Group and Association</b>	<b>2020</b>	<b>2019</b>
£60,000 - £69,999	4	5
£70,000 - £79,999	4	3
£80,000 - £89,999	2	-
£90,000 - £99,999	-	-
£100,000 - £109,999	-	2
£110,000 - £119,999	-	-
£120,000 - £129,999	1	1
£130,000 - £139,999	-	-
£140,000 - £149,999	-	-
£150,000 - £159,999	-	-
£160,000 - £169,999	1	1

**Notes to the financial statements for the year ended  
31 March 2020**

**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 held separately from the company.

The financial assumptions underlying the last valuation are as follows:

Date of valuation                      31 March 2020  
Method of valuation                    Projected Unit

The valuation was based on the following assumptions:

	<b>31 March 2020</b>	<b>31 March 2019</b>
Rate of return on accumulated assets	2.3% pa	2.4% pa
Rate of salary increases	2.6% pa	3.3% pa
Rate of pension increases	1.8% pa	2.5% pa
Discount rate	2.3% pa	2.4% 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:

	<b>Males</b>	<b>Female</b>
Current Pensioners	20.5 yrs	23.1 yrs
Future Pensioners *	22.0 yrs	25.0 yrs

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

**Notes to the financial statements for the year ended  
31 March 2020**

<b>Split of Scheme Assets:</b>	Distribution %	Distribution %
Equities	69.0%	69.0%
Bonds	15.0%	15.0%
Property	7.0%	8.0%
Cash	9.0%	8.0%
<b>Total</b>	<b>100%</b>	<b>100%</b>
<b>Asset and Liability Reconciliation</b>		
	<b>31 March 2020</b>	<b>31 March 2019</b>
<b>Reconciliation of fair value of plan assets</b>	<b>£'000</b>	<b>£'000</b>
At the beginning of the year	66,296	60,607
Interest income	1,604	1,651
Contributions by members	456	514
Contributions by the employer	1,391	1,492
Actuarial gains / (losses)	(7,432)	2,894
Benefits paid	(1,048)	(862)
<b>At the end of the year</b>	<b>61,267</b>	<b>66,296</b>
<b>Reconciliation of present value of plan liabilities</b>		
At the beginning of the year	94,499	81,039
Current Service Cost	3,010	2,804
Interest Cost	2,302	2,220
Contributions by members	456	514
Actuarial losses / (gains)	(11,253)	8,727
Past service cost / (gains) (including curtailments)	70	57
Changes in demographic assumptions	(2,321)	-
Other experience	(8,542)	-
Estimated benefits paid	(1,048)	(862)
<b>At the end of the year</b>	<b>77,173</b>	<b>94,499</b>
<b>Net pension scheme liability</b>	<b>(15,906)</b>	<b>(28,203)</b>

**Notes to the financial statements for the year ended  
31 March 2020**

**Amounts recognised in Other Comprehensive Income are as follows:**

Included in administrative expenses:

Current service cost	3,010	2,804
Past service cost (including curtailments)	70	57
<b>Total operating charge</b>	<b><u>3,080</u></b>	<b><u>2,861</u></b>

**Amounts (charged) / credited to other finance costs**

Interest income on plan assets	1,604	1,651
Interest on pension scheme liabilities	(2,302)	(2,220)
<b>Net interest costs return</b>	<b><u>(698)</u></b>	<b><u>(569)</u></b>

**Analysis of actuarial loss recognised in Other Comprehensive Income**

Actual return less interest income included in net interest income	(7,432)	2,894
Changes in demographic assumptions	2,321	-
Other experience	8,542	-
Changes in assumptions on present value of liabilities	11,253	(8,727)
<b>Actuarial (loss)/gain in other comprehensive income</b>	<b><u>14,684</u></b>	<b><u>(5,833)</u></b>

The estimate the employer's contributions for the year to 31 March 2021 will be approximately £1.814m (2020 £1.492m).

**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 £401,409 (2019: £293,709). Contributions amounting to £77,352 (2019: £30,675) were payable to the fund as at 31 March 2020 and are included in creditors.

## Notes to the financial statements for the year ended 31 March 2020

### Note 13: Tangible fixed assets - Housing properties

#### Group

	Social housing properties held for lettings £'000	Social housing properties under construction £'000	Shared ownership completed £'000	Shared ownership under construction £'000	Total Social housing properties £'000
<b>Cost</b>					
At 1 April 2019	133,469	15,796	570	1,783	151,618
Replaced components	6,979	-	-	-	6,979
Interest capitalised	-	498	-	38	536
Additions	-	13,657	-	111	13,768
Completed schemes	23,186	(23,186)	1,932	(1,932)	-
Disposals - stair-casing sales	-	-	-	-	-
Disposals - replaced components	(734)	-	-	-	(734)
<b>At 31 March 2020</b>	<b>162,900</b>	<b>6,765</b>	<b>2,502</b>	<b>-</b>	<b>172,167</b>
<b>Depreciation and impairment</b>					
At 1 April 2019	20,503	-	-	-	20,503
Depreciation charge in year	5,321	-	16	-	5,337
Impairment accumulated depreciation	-	-	-	-	-
Disposals - replaced components	(226)	-	-	-	(226)
<b>At 31 March 2020</b>	<b>25,598</b>	<b>-</b>	<b>16</b>	<b>-</b>	<b>25,614</b>
<b>Net Book Value at 31 March 2020</b>	<b>137,302</b>	<b>6,765</b>	<b>2,486</b>	<b>-</b>	<b>146,553</b>
Net Book Value at 31 March 2019	112,966	15,796	570	1,783	131,115

### Note 13: Tangible fixed assets - Housing properties

#### Association

	Social housing properties held for lettings £'000	Social housing properties under construction £'000	Shared ownership completed £'000	Shared ownership under construction £'000	Total Social housing properties £'000
<b>Cost</b>					
At 1 April 2019	133,469	16,059	570	1,893	151,991
Replaced components	6,979	-	-	-	6,979
Interest capitalised	-	498	-	38	536
Additions	-	13,948	-	72	14,020
Schemes completed	23,186	(23,186)	2,003	(2,003)	-
Disposals - stair-casing sales	-	-	-	-	-
Disposals - replaced components	(734)	-	-	-	(734)
<b>At 31 March 2020</b>	<b>162,900</b>	<b>7,319</b>	<b>2,573</b>	<b>-</b>	<b>172,792</b>
<b>Depreciation and impairment</b>					
At 1 April 2019	20,503	-	-	-	20,503
Depreciation charge in year	5,321	-	16	-	5,337
Impairment charge in year	-	-	-	-	-
Disposals - replaced components	(226)	-	-	-	(226)
<b>At 31 March 2020</b>	<b>25,598</b>	<b>-</b>	<b>16</b>	<b>-</b>	<b>25,614</b>
<b>Net Book Value at 31 March 2020</b>	<b>137,302</b>	<b>7,319</b>	<b>2,557</b>	<b>-</b>	<b>147,178</b>
Net Book Value at 31 March 2019	112,966	16,059	570	1,893	131,490



## Notes to the financial statements for the year ended 31 March 2020

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

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

	2020 £'000	2019 £'000
Freehold	133,714	106,051
Long leasehold	13,467	6,915
	<u>147,181</u>	<u>112,966</u>

### Works to existing properties in the year:

	2020 £'000	2019 £'000
Components capitalised	6,979	14,587
Amounts charged to income and expenditure	5,035	4,330
	<u>12,014</u>	<u>18,917</u>

### Total Social Housing Grant received or receivable to date is as follows:

	2020 £'000	2019 £'000
Social Housing Grant received	16,934	13,015
Social Housing Grant received and held in creditors as deferred income	-	229
Capital grant - Housing Properties	16,934	13,244
Recycled Capital Grant Fund	109	117
Total Housing Grant received	<u>17,043</u>	<u>13,361</u>

### Finance costs

	2020 £'000	2019 £'000
Aggregate amount of finance costs included in the cost of housing properties	536	387

### Impairment

In accordance with FRS 102 and SORP 2018 the housing properties have been reviewed for any impairment. Following this review it was determined that no housing properties had incurred impairment during the year.

	2020 £'000	2019 £'000
Cost	-	3,115
Accumulated Depreciation	-	(658)
Net Book Value	<u>-</u>	<u>3,773</u>

## Notes to the financial statements for the year ended 31 March 2020

### Note 14: Tangible fixed assets - Other assets

#### Group and Association

	Office buildings	Equipment	Vehicles	Works in Progress	<b>Total</b>
	£'000	£'000	£'000	£'000	<b>£'000</b>
<b>Cost</b>					
At 1 April 2019	9,352	3,546	-	913	13,811
Additions	-	42	48	316	406
Transfers	-	204	-	(204)	-
Disposals	-	(78)	-	-	(78)
<b>At 31 March 2020</b>	<u>9,352</u>	<u>3,714</u>	<u>48</u>	<u>1,025</u>	<u>14,139</u>
<b>Depreciation</b>					
At 1 April 2019	395	3,153	-	-	3,548
Charge in the year	110	248	2	-	360
Disposal	-	(60)	-	-	(60)
<b>At 31 March 2020</b>	<u>505</u>	<u>3,341</u>	<u>2</u>	<u>-</u>	<u>3,848</u>
<b>Net Book Value at 31 March 2020</b>	<u>8,847</u>	<u>373</u>	<u>46</u>	<u>1,025</u>	<u>10,291</u>
Net Book Value at 31 March 2019	<u>8,958</u>	<u>393</u>	<u>-</u>	<u>913</u>	<u>10,265</u>

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

	<b>2020</b>	2019
	<b>£'000</b>	£'000
Long leasehold	8,847	8,958
	<u>8,847</u>	<u>8,958</u>

### Note 15: Properties for Sale

	<b>2020</b>	2019
	<b>£'000</b>	£'000
<b>Shared ownership properties:</b>		
At 1st April 2019	1,132	-
Completed properties additions	920	432
Work in progress additions	-	701
Disposal	(2,000)	-
	<u>52</u>	<u>1,132</u>
Properties developed for outright sales	-	-
At 31st March 2020	<u>52</u>	<u>1,132</u>

## Notes to the financial statements for the year ended 31 March 2020

### Note 16: Debtors

	<b>Group 2020 £'000</b>	<b>Group 2019 £'000</b>	<b>Association 2020 £'000</b>	<b>Association 2019 £'000</b>
<b>Due within one year</b>				
Rental and service charge arrears	2,387	3,165	2,387	3,165
Less: Provision for bad and doubtful debts	(783)	(737)	(783)	(737)
	1,604	2,428	1,604	2,428
Trade debtors	159	816	159	816
Prepayments & accrued income	1,292	1,827	1,292	1,827
Social housing grant receivable	230	401	230	401
Other taxes and social security	237	472	222	422
Other debtors	13,896	18,295	13,896	18,295
Total due within one year	17,418	24,239	17,403	24,189
<b>Due after more than one year</b>	48,953	58,710	48,953	58,710
<b>Total debtors</b>	66,371	82,949	66,356	82,899

The debtor due after more than one year represents £48,953m (£58.710m in 2019) obligation to have improvement work carried out to the properties transferred to FCHO net of £13.456m (£17.908m in 2019) budgeted to be spent in 2020-21 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

	<b>Group 2020 £'000</b>	<b>Group 2019 £'000</b>	<b>Association 2020 £'000</b>	<b>Association 2019 £'000</b>
Trade creditors	1,217	3,667	1,848	3,927
Social housing grant in advances	-	229	-	229
Rent & service charges received in advance	2,625	2,440	2,625	2,440
Amounts owed to group undertakings	-	-	399	643
Other taxation and social security	401	288	401	288
Oldham MBC - RTB Clawback	1,424	985	1,424	985
Accruals and deferred income	3,732	3,852	3,335	3,236
Deferred capital grant (note 19)	153	125	153	125
Disposal proceeds fund (note 19)	2	2	2	2
Recycled capital grant fund (note 19)	1	1	1	1
Other creditors	1,365	1,701	698	1,117
	10,920	13,290	10,886	12,993

Other grants received in advance will be utilised against capital expenditure in 2020-21.

## Notes to the financial statements for the year ended 31 March 2020

<b>Note 18: Creditors - Amounts falling due after more than one year</b>	<b>Group</b>	<b>Group</b>	<b>Association</b>	<b>Association</b>
	<b>2020</b>	2019	<b>2020</b>	2019
	<b>£'000</b>	£'000	<b>£'000</b>	£'000
Loan and borrowings facility	25,287	25,227	25,287	25,227
Recycled Capital Grant (note 20)	226	117	226	117
Deferred Capital Grant	16,054	12,405	16,054	12,405
Other	4	4	4	4
	<u>41,571</u>	<u>37,753</u>	<u>41,571</u>	<u>37,753</u>

### Analysis of maturity of debt - Group and Association

	<b>2020</b>	2019
	<b>£'000</b>	£'000
Housing loans repayable by instalments:		
In five years or more	25,500	25,500
<b>Total Loans</b>	<u>25,500</u>	<u>25,500</u>

### 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
Fix 2 - £6.5m	31/12/2027	4.91%
Fix 3 - £6.5m	29/03/2029	5.11%
Fix 4 - £6.0m	31/03/2031	3.58%
Fix 5 - £6.5m	31/03/2033	5.10%

At 31 March 2020 the group had undrawn loan facilities of £69.5m (2019 - £69.5m).

## Notes to the financial statements for the year ended 31 March 2020

### Note 19: Deferred capital grant

Group and Association	Social Housing Grant	Other Government Grants	<b>Total Grant 2020 £'000</b>	Total Grant 2019 £'000
As at 1 April 2019	10,211	2,438	12,649	8,941
Grants received during the year	3,911	-	3,911	3,669
Grants recycled from the recycled capital fund (note 20)	-	-	-	117
Released to income in the year	(98)	(27)	(125)	(78)
<b>As at March 2020</b>	<u>14,024</u>	<u>2,411</u>	<u>16,435</u>	<u>12,649</u>
			<b>2020 £'000</b>	2019 £'000
Amounts to be released within one year			156	128
Amounts to be released in more than one year			16,279	12,521
			<u>16,435</u>	<u>12,649</u>

### Note 20: Recycled capital grant fund

Group and Association	<b>2020 £'000</b>	2019 £'000
As at 1 April 2019	117	-
Grants recycled from sale of Right to Acquire sales	108	117
Interest accrued	1	-
Repayment of grant to the HCA	-	-
<b>As at March 2020</b>	<u>226</u>	<u>117</u>

As at 31 March 2020, there is £nil due for repayment and £nil has been paid in the year.

## Notes to the financial statements for the year ended 31 March 2020

### Note 21: Provision for liabilities and charges

<b>Group and Association</b>	<b>2020</b> <b>£'000</b>	2019 £'000
Opening balance as at 1 April 2019	76,618	90,748
Less: Investment expenditure	(14,208)	(14,130)
<b>Closing balance as at 31 March 2020</b>	<u>62,410</u>	<u>76,618</u>

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 22: Capital Commitment

	<b>Group</b> <b>2020</b> <b>£'000</b>	<b>Group</b> 2019 £'000
Capital expenditure that has been contracted for but not been provided for in the financial statements	<u>10,993</u>	<u>9,250</u>
Capital expenditure that has been authorised by the Board but has not yet been contracted for	<u>13,528</u>	<u>13,368</u>

The above commitments will be financed primarily through borrowings (£22,306k), which are available for drawdown under existing loan arrangements, with the balance (£2,215k) funded through social housing grant.

### Note 23: 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:

	<b>2020</b> <b>£'000</b>	2019 £'000
<b>Land &amp; Buildings</b>		
Less than one year	13	13
Later than one year but not later than five years	-	-
In five years or more	-	-
<b>Total</b>	<u>13</u>	<u>13</u>
<b>Other leases</b>		
Less than one year	222	561
Later than one year but not later than five years	72	87
In five years or more	-	-
<b>Total</b>	<u>294</u>	<u>648</u>

## Notes to the financial statements for the year ended 31 March 2020

### Note 24: 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.

On 21 November 2019, FCHO established a subsidiary organisation, First Choice Homes Limited. First Choice Homes Limited is a dormant company. 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 25: 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:

2019/20	Income £'000	Expenditure £'000	Debtors/(Creditors) £'000
New Living Homes Limited	744	(12,857)	(1,413)

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 £0.352m in the period ended 31 March 2020 (2019:£0.011).

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

Ron Smith - appointed 01 October 2018	Tenant
Jean Mira - appointed 01 October 2018	Leaseholder

Board Member's 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 £4,272.80 (2019: £4,178). There are no arrears on their tenancies at the reporting period end (2019: £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.



**Notes to the financial statements for the year ended  
31 March 2020**

**Note 26: Financial Instruments**

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

	<b>Group 2020 £'000</b>	<b>Group 2019 £'000</b>	<b>Association 2020 £'000</b>	<b>Association 2019 £'000</b>
<b>Financial assets</b>				
<b>Fixed assets measured at historical cost:</b>				
- Trade receivables	159	816	159	816
- Other receivables due within one year	15,967	21,596	15,951	21,547
- Other receivables due after more than one year	48,953	58,710	48,953	58,710
- Investments in short term deposits	3,100	100	3,100	100
- Cash and cash equivalents	9,600	13,040	9,339	12,439
<b>Total financial assets</b>	<u>77,779</u>	<u>94,262</u>	<u>77,502</u>	<u>93,612</u>
<b>Financial liabilities</b>				
<b>Financial liabilities measured at amortised cost:</b>				
- Loans payable	25,287	25,227	25,287	25,227
<b>Financial liabilities measured at historical cost:</b>				
- Trade creditors	1,217	3,667	1,848	3,927
- Other creditors due within one year	9,703	9,623	9,039	9,066
- Other creditors after more than one year	16,285	12,526	16,285	12,526
<b>Total financial liabilities</b>	<u>52,492</u>	<u>51,043</u>	<u>52,459</u>	<u>50,746</u>

**Note 27: Net debt reconciliation****Group and Association**

	<b>As at 1 April 2019 £'000</b>	<b>Cash flows £'000</b>	<b>Other non- cash changes £'000</b>	<b>As at 31 March 2020 £'000</b>
Cash at bank and in hand	13,040	(3,440)	-	9,600
Cash and cash equivalents	100	3,000	-	3,100
Bank Loans	(25,227)	-	(60)	(25,287)
<b>Net Debt</b>	<u>(12,087)</u>	<u>(440)</u>	<u>(60)</u>	<u>(12,587)</u>