Report and Financial Statements for Year ended 31 March 2021

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

Contents

Non-Executive Directors, Executives and Advisors

Board of Directors

Ged Lucas (Board Chair)
Carl Brazier (Chair Audit and Risk Committee) – Resigned 16 October 2020
Hilda Kaponda (Chair Governance and Remuneration Committee)
John Carlton (Chair of Investment and Development Committee) – Resigned 26 October 2020
Philip Pearson
Mumtaz Ali
Ronnie Clawson (Chair of Audit and Risk Committee) - Appointed 24 March 2021
Amanda Harris
Jean Mira
Ron Smith
Clare Doyle (Co-optee to Development Committee) – Resigned 24 March 2021
Barbara Brownridge (Local Authority Nominee) – Resigned 26 May 2021

Newly appointed

Emma Richman – appointed 24 March 2021 (Chair of Investment and Development Committee 26 May 2021)
Charles Dunn – appointed 24 March 2021
Margaret Goddard – (Co-optee to Investment and Development Committee) – appointed 24 March 2021

Executive Officers

Chief Executive

Vincent Roche – Resigned 8 April 2020
Keith Wrate – Interim appointed 14 April 2020, resigned 10 February 2021
Donna Cezair – Appointed 25 January 2021

Executive Director, Customer First – title changed to Chief Operations Officer, 24 March 2021.

Emma Davison

Executive Director, Homes and Investment

Heidi Thompson - Resigned 1 February 2021

Executive Director, Corporate Services - title changed to Chief Finance Officer, 24 March 2021.

Chloe Christian – Resigned 8 April 2020
Guy Johnson – Interim appointed 14 April 2020, resigned 16 July 2021

Tracy Woods – Appointed 2 August 2021

Group Company Secretary

Susan Rudd – Resigned 17 April 2020
Juliet Craven – Appointed 17 April 2020

Registered Office

First Place
22 Union Street
Oldham
OL1 1BE

Registered Number

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

Bankers

Barclays Bank Limited
Merseyside and North
Cheshire Team
11th Floor
20 Chapel Street
Liverpool
L3 9AG

Solicitors

Trowers and Hamlin
Heron House
Albert Square
Manchester
M2 5HD

Internal Auditors

Mazars LLP
1 St Peters Square
Manchester
M2 3DE

Auditor

BDO LLP
3 Hardman Street
Manchester
M3 3AT

Strategic Report

First Choice Homes Oldham (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, Mission and Values.
- 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.

Making this happen with:

1. Business Assurance.
2. Colleague Experience.
3. Efficiency Strategy.

Our Values:

- We listen.
- We own.
- We care.
- We act.
- We learn.
- We keep it simple.

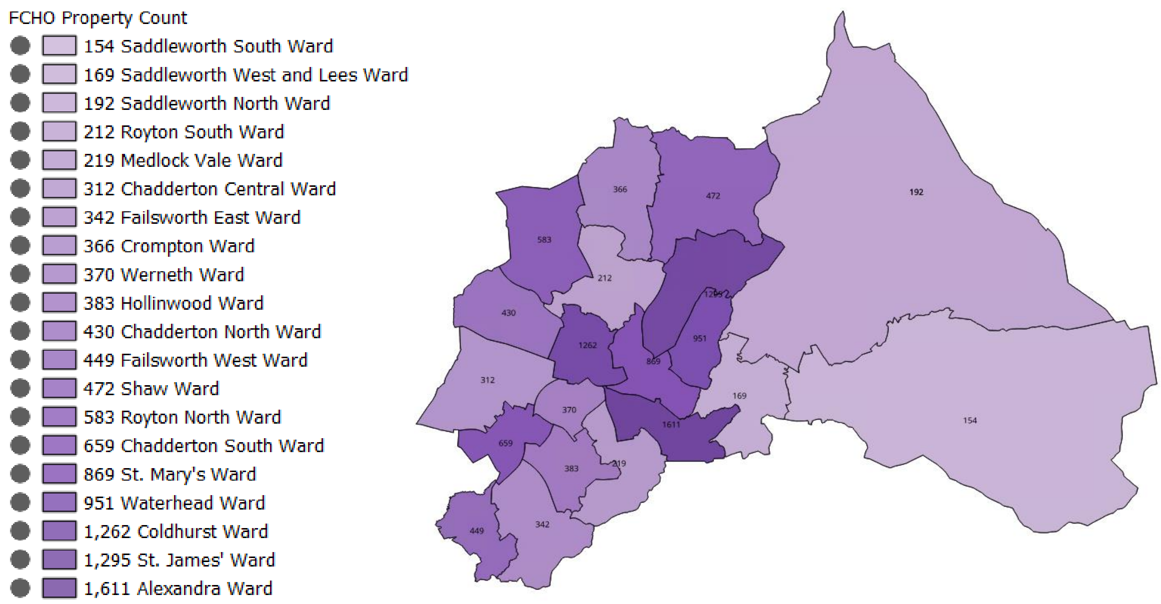
Build New Homes	Excellent Landlord	Create Thriving Communities
What we are going to do		
Deliver a development programme that meets housing needs and increases the number of new homes both in and outside of Oldham. Let properties efficiently to those in need. Develop new properties to meet housing need.	Put the customer voice at the centre of service design ensuring we focus on services customers value. Deliver value for money investments that make a difference to our customers. Strive for service delivery excellence. Deliver strong customer engagement. Be a customer centric organisation. Maintain and adapt existing stock to meet customer need.	Increase disposable income for our customers in or at risk of poverty. Make significant Impact within our communities. Take efficient and personal approach to our neighbourhood services. Foster areas where our customers feel proud to

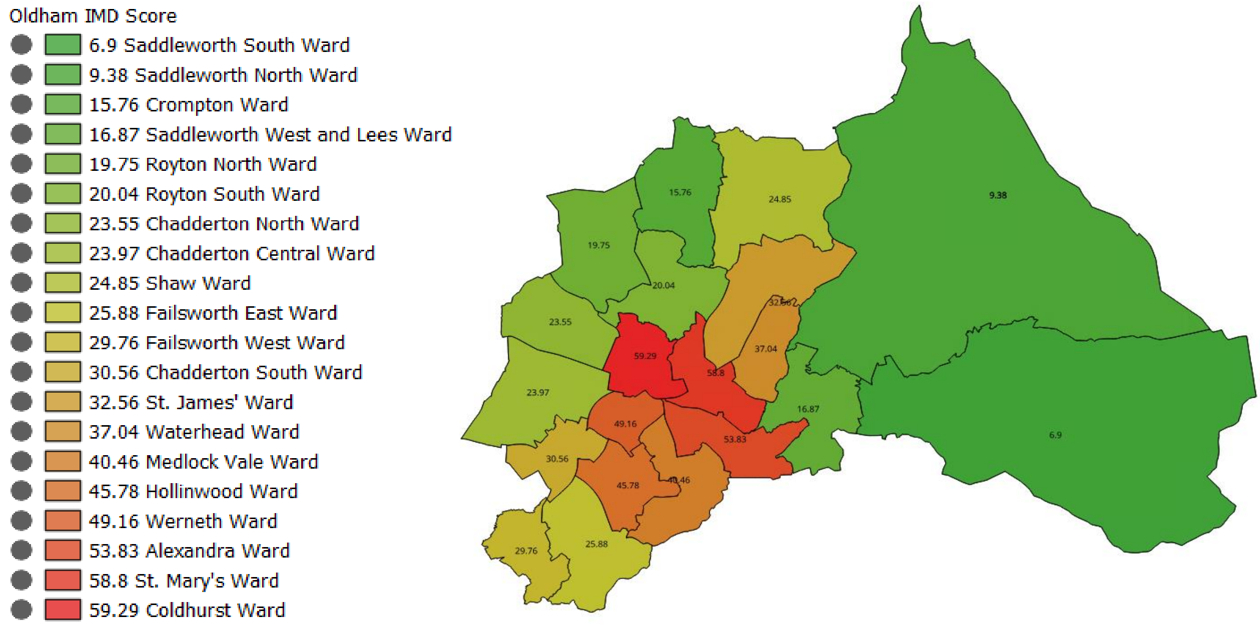
Following changes at Executive level in early 2020, FCHO launched a short term interim Strategic Delivery Plan for 2020-22 during the year. The focus and objectives remained the same. Providing services during the pandemic was a priority, as well as FCHO's values as an organisation to support customers and colleagues.

The challenging operating environment and the impact on customers and communities is recognised. Oldham has lower than 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.

FCHO has a high concentration of properties in Central Oldham which is the most deprived area in Oldham.

Below are maps that demonstrate the concentration of stock against the Index of Multiple Deprivation (IMD) score demonstrating the challenges faced by customers and the importance of FCHO's role within Oldham.





2020/21 Summary

2020/21 has been a positive year for FCHO with a number of sound achievements across its key strategic objective focus areas against a challenging background of Covid 19.

FCHO is committed to the delivery of ‘Excellent Landlord’ services, however recognises its role as more than a landlord. 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. During the year 138 sustained employment outcomes were achieved, which was a significant success in a very challenging employment market. FCHO also helped customers to collectively save over £275k through access to ‘The Bread and Butter Thing’, which provides food and essential household items to customers at a much reduced cost. During the year 54% of our expenditure (non-staffing) also contributed to the local economy, through spending within the local area; supporting local business and communities.

As a key strategic objective to deliver new homes, as at March 2021 there were 421 new homes on site or completed since the start of the Development Programme. A further 679 units are planned by March 2026. A key feature of 2020/21 and the coming year is to focus on increasing land opportunities and sites across Oldham and adjoining areas to support FCHO’s Development Strategy. Another key milestone will be the development of the West Vale site, which will bring 88 much needed high quality new homes and further investment and regeneration to the local area around the site.

During 2018/19 following a detailed review of the 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 (now West Vale Development). The process of decanting customers from the two blocks commenced in October 2018 with the complex demolition of the two blocks due to commence during 2021. The remaining three tower blocks had a comprehensive investment programme agreed during 2018/19 which has been delivered in 2020/21, providing safe, compliant and defect free housing for customers.

During 2020/21 the Asset Management Strategy was also approved, covering the period to 2024/25, which committed to recognising and delivering on customer priorities and the development of a new ‘FCHO’ standard, which goes much further than the Decent Homes Standard. 2020/21 also saw much progress on the upcoming Sustainability Strategy, detailing how FCHO will rise to the challenge of carbon reduction targets across its housing stock and how to tackle homes which are ‘fuel poor’. The 2021 Business Plan has for the first time a provision of £25m to support the first stages of the Sustainability Strategy.

During the year, there were unprecedented periods of national lockdown and disruption as a result of Covid 19 which caused some delays in maintenance programmes and operations. Despite this over £22m was still spent investing in properties and ensuring compliance. At the start of the financial year, the Government had already introduced stringent lockdown measures to deal with the Covid19 pandemic. Local lockdown measures also ensued for Oldham which made operations more challenging. The Leadership Team moved swiftly to implement Business Continuity Plans, with the majority of staff working from home throughout 2020/21. Despite these constraints FCHO continued to deliver essential services to residents, including gas servicing and an emergency repairs service. Guidance was also provided to any resident who faced financial difficulties, working with local partners to ensure all customers were advised and supported appropriate to their needs.

Key Results

Turnover	Units Owned and Managed
£49 million	11,362
Customer Satisfaction	Gearing
80.2%	10.9%
New Units Developed	Income Collection
84	100.4%
Void Loss %	Reinvestment %
0.53%	15.20%

Performance Indicators and Value for Money

The Board has set a framework that includes specific indicators that support the delivery of the strategic objectives, provides data to inform strategic decisions and to improve services, drives VFM and ensures FCHO is maximising the return of all its assets.

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

- Demonstrates compliance with regulatory, legal and funder's 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 2020/21, commentary on performance and improvement plans for the future.

STRATEGIC OBJECTIVE – BEING AN EXCELLENT LANDLORD

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.

Interim processes were put in place at the start of the pandemic and continued during lockdowns with an overall impact on customer satisfaction and the customer experience. The Covid-19 lockdowns disrupted the repairs service from March through to June. Emergency repairs continued to be delivered throughout this period and work was undertaken to clear the backlog of general repairs by September 2020.

FCHO focused on customer experience and digital capacity to drive improvements in the customer journey and improve the overall service as a landlord through the remainder of 2020/21.

There is a commitment to providing high quality, safe homes, and updating the Asset Management Strategy, through developing an action plan. This includes further enhancing stock condition data, implementing a FCHO Homes Standard and delivering property care improvements in productivity and efficiency.

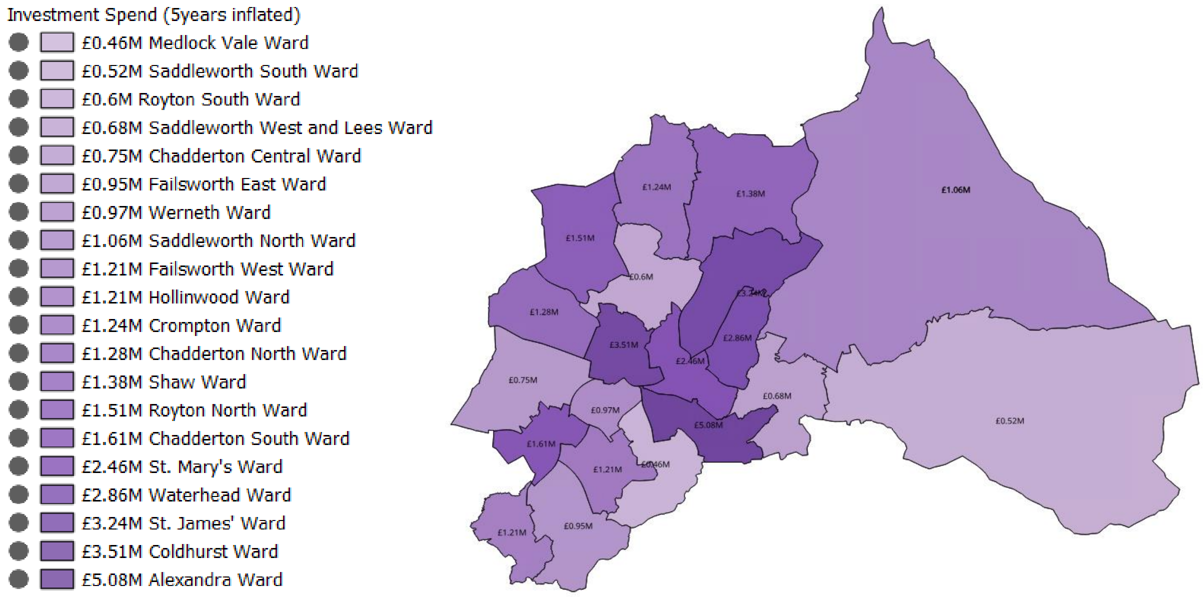
Being an Excellent Landlord	Targets 2020/21	2017/18	2018/19	2019/20	2020/21	Assessment	Targets 2021/22
% Overall Satisfaction (Touchpoint surveys)	84%	78%	79%	84%	80.2%		84%
% Repairs Completed in Time	85%	76%	82%	73%	90%		86%
% Stock Tenanted	99%	99.14%	98.14%	99.35%	99.2%		99%
Total volume of complaints received	411	393	409	433	257		411
% Customer Retention at 12 months	84%	81%	87%	80%	85%		84%

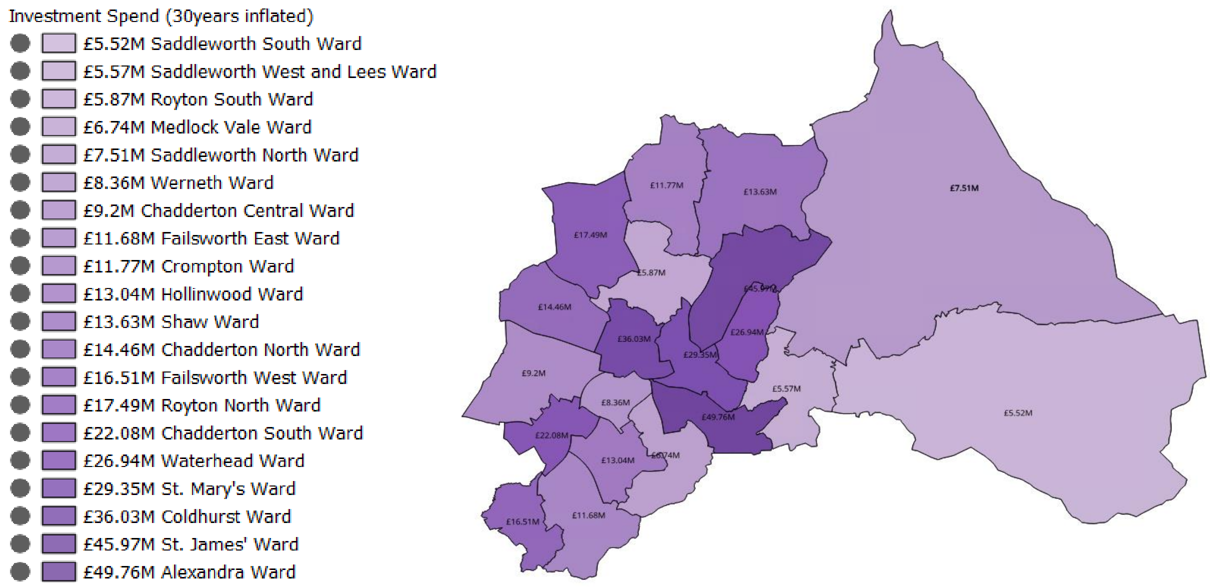
Customer Satisfaction across all touchpoint areas has been a key focus in 2020/21 and as at March 2021, over one in three individual customers (over 4,000) have responded to a survey providing feedback and insight on services across Access/Product/Colleague.

	Touchpoint	Targets 2020/21	2017/18	2018/19	2019/20	2020/21	Assessment	Targets 2021/22
	New Tenancy	90%	76% (101)	88% (141)	92% (172)	85% (127)		90%
	Contact Centre	87%	75% (1133)	86% (2661)	85% (3188)	86% (3126)		87%
	Responsive Repairs	86%	91% (2957)	92% (2481)	84% (1552)	86% (1430)		86%
	Estates: Grounds	70%	57% (580)	68% (1217)	68% (1908)	66% (1254)		70%
	Estates: Block Cleaning	75%	60% (580)	69% (1217)	73% (1908)	69% (706)		75%

FCHO is working to fully refresh the Stock Condition Survey data in order to inform future investment needs and this work has been carried out in 2020/21 (achieving updates on 40% of stock) with further analysis in 2021/22 and future years on a 20% per year rolling basis so information is kept up to date.

FCHO plans to improve its existing stock by investing c£75m over the next five years, averaging £6.6k per property, and investing £440m over the next 30years, averaging £39k per property (excluding repairs and maintenance costs). An example of this planned spend by area is highlighted below:





These maps demonstrate the investment in stock is based in the areas where current satisfaction is lower, and the programme will be kept up to date and focused where the investment is required.

Some initial work has also been carried out to assess the longer-term impact of moving stock towards carbon neutrality, in line with local and national objectives. As is the case with other housing associations, these costs will be significant, but it is anticipated that FCHO's long-term financial plan will contain sufficient resilience to accommodate these additional requirements, supported by working with other providers and experts in the field to drive efficiencies and look for future funding opportunities.

STRATEGIC OBJECTIVE - CREATING THRIVING COMMUNITIES

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

Create Thriving Communities	Target 2020/21	2017/18	2018/19	2019/20	2020/21	Assessment	Targets 2021/22
Number of sustained employment outcomes	140	159	223	172	138	Amber	140
Total amount saved by customers accessing The Bread and Butter Thing (TBBT)	£200K	Service not in place			£282K	Green	£350K
% of tenancies sustained 12 months after support has ended	85%	Service not in place		83%	89%	Green	85%
% Spend in local economy	55%	New measure			54%	Amber	TBC%

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

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

In 2020/21 FCHO has continued to concentrate on issues around low employment and financial hardship by taking a proactive approach to create its Directions Employment Service; supporting customers towards financial independence by finding suitable and sustainable employment.

The Directions internal Employment Service has continued to deliver and sustain employment opportunities for customers in Oldham and in 2020/21, despite the challenge Covid 19 presented, the team achieved 138 employment outcomes that were sustained for at least six months.

STRATEGIC OBJECTIVE – BUILDING NEW HOMES

In 2019/20 FCHO's Board approved an updated Development Programme to deliver 1,100 new homes by 2025/26 at a cost of circa £162million.

The Board has 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 by supporting a range of housing tenures and needs.

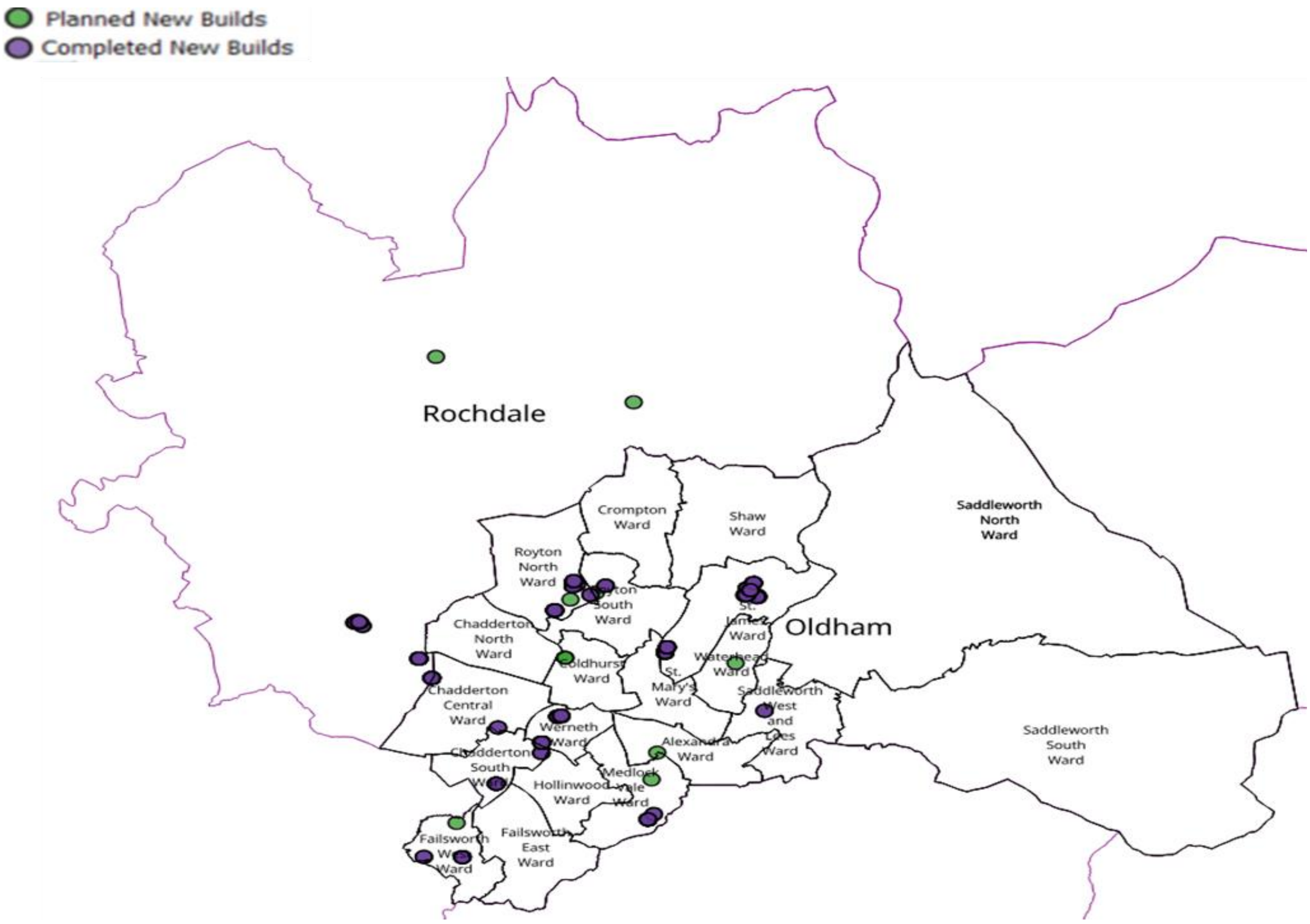
The strategy is to bring forward a mix of rented and Shared Ownership homes through package contracts and land led opportunities.

Build New Homes	Target 2020/21	2017/18	2018/19	2019/20	2020/21	Assessment	Targets 2021/22
Starts on Site (programme total)	80	190	36	99	96		80
Completions (programme total)	101	-	21	203	84		93

In the past year, 96 homes were commenced on site along with 84 homes being completed despite the impact of the Covid 19 pandemic, which caused significant delays to FCHO's contractors along with labour and material shortages. Strong relationships with partners continue to be developed, enabling a significant pipeline of opportunities to be established and providing the confidence to start to accelerate the Development Programme over the forthcoming years.

As a key strategic objective to deliver new homes, as at March 2021 there were 421 homes that had commenced on site since 2017 with 308 of those completed by the end of March 2021. At the end of the fourth year of the Development Programme the grant drawn-down stands at £13.9m.

FCHO aims to deliver a further 782 new build properties by March 2026 and has recently received Investment and Development Committee approval to commence building a further 188 new build properties in 2021/22.



STRATEGIC ENABLER – BUSINESS ASSURANCE

During 2020/21 a total of over £22m was spent on investment, maintenance and compliance works in order to ensure that homes are safe and meet the required regulatory and statutory standards. Robust processes are in place for managing all areas of property compliance, including electric, fire, gas, asbestos, legionella and lifts. Despite the challenges faced due to Covid 19, excellent results have continued to be maintained across all business assurance metrics throughout the year.

The Stock Transfer agreement committed c£230m (ex vat) of spend on homes over a 15 year period which concludes in 2026. FCHO is on target to meet those commitments. The Stock Condition Survey programme saw 40% of stock surveyed during 2020/21 with a further 20% of stock being surveyed on an on-going annual basis. The results of the surveys alongside feedback from customers and colleagues continue to inform future investment and compliance plans, whilst also providing insight for the long-term Asset Management and Sustainability Strategies.

Business Assurance	Target 2020/21	2017/18	2018/19	2019/20	2020/21	Assessment	Targets 2021/22
% properties current Gas Certificate	100%	100%	100%	99.99%	100%		100%
% properties current Electrical Certificate	100%	77.41%	98.33%	99.95%	100%		100%
% communal areas current Fire Assessment	100%	100%	100%	100%	100%		100%
% communal areas Asbestos inspection	100%	100%	100%	100%	100%		100%
% properties current Legionella inspection	100%	100%	100%	100%	100%		100%
% passenger lifts current LOLER report	100%	100%	100%	100%	100%		100%
% home lifts current LOLER report	100%	100%	100%	100%	100%		100%
Number RIDDOR reported HSE	<6	16	0	7	0		<6
% SDP milestones completed	100%	KPI not recorded although monitoring in place			100%		100%
% audit actions overdue	0%	30%	20%	35%	0%		0%

STRATEGIC ENABLER – COLLEAGUE EXPERIENCE

In March 2020, the Government introduced stringent lockdown measures to deal with the Covid 19 pandemic. The Leadership Team moved swiftly to implement Business Continuity Plans, continuing to deliver essential services to residents, including gas servicing and an emergency repairs service. Guidance to any resident who faced financial difficulties was provided immediately.

New ways of working were implemented very quickly and effectively and colleagues have shown great dedication and flexibility to ensure that services continued and were targeted to those who most needed help.

During a year which was impacted by Covid 19 and the subsequent necessary changes to ways of working, colleague wellbeing was prioritised as work progressed on the strategic goals.

During the year, progress was made in a number of areas:

- Refresh of the vision and values with a relaunch campaign to colleagues.
- Launch of a new training platform to improve the colleague training offer and reporting on compliance.
- Focus on wellbeing in response to the Covid crisis and a number of colleagues being trained as mental health first aiders.
- Launch of a newly created colleague forum to enable two-way discussion and feedback.
- Selection of Best Companies as a survey partner to enable engagement across the organisation to be assessed.
- Agreement of a new Equality, Diversity and Inclusion Strategy and action plan to support the progress of FCHO as an inclusive employer.
- Completion of Phase One of a project to review the existing pay and reward structures which included job evaluation of all roles by an external specialist.
- Health and Safety Policy agreed and manager and leaders completing courses in managing and leading safely.
- Recruitment of a number of apprentices to the organisation with a view to developing skills for the future, including agreement to support 35 young people through the 'Kick Start' scheme.

Colleague Experience	Target 2020/21	2019/20	2020/21	Assessment	Targets 2021/22
% Turnover	20%	22.98%	12%		15%
% Turnover 12 months	25%	27.63%	3.7%		25%
% Sickness Absence	3.9%	4.6%	5.1%		3.9%

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

FCHO is also focussing on responding to colleague feedback about the top two reasons for absence for the last three years, which have been mental health and musculoskeletal issues.

Wellbeing and capability of colleagues and managers will continue to be a focus as a new "People Strategy" is developed during 2021/22.

Plans for 2021/22 include:

- Creating an overarching People Strategy in line with FCHO corporate plan and ambitions.
- Involving colleagues and managers in the development of an agile/hybrid working model that works for FCHO as Covid 19 restrictions are reduced and removed.
- Embedding the behavioural framework linked to Values across the organisation.
- Continuing the focus on wellbeing through wellbeing champions and activities.
- Identifying a partner to support the development of a bespoke Leadership development programme to improve the capability of leaders and managers,
- Implementing a focus on workforce planning and creating a pipeline of skills and talent for the future.
- Completing Phase Two of the Reward and Recognition project to create an 'Employee Value Proposition' which is suitable for FCHO into the future

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.

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 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/)

STRATEGIC ENABLER – EFFICIENCY

The Board has set a framework that includes specific indicators that support the delivery of the strategic objectives provides data to inform strategic decisions and to improve services, drives VFM and ensures FCHO is maximising the return of all its assets.

Efficiency	Target 2020/21	2017/18	2018/19	2019/20	2020/21	Assessment	Targets 2021/22
% Rent collection	99.7%	99.22%	100.07%	99.99%	100.49%		99.20%
EBITDA - Bank	346%	540.4%	165.8%	486.7%	627.78%		396%
EBITDA - MRI	283%	310.59%	-20.74%	243.10%	490.0%		365%
% Gearing	14%	9.40%	9.29%	10.70%	10.90%		14.5%
% Reinvestment	15.6%	13.99%	24.43%	14.50%	15.20%		15.80%
% New Supply	0.89%	0.02%	0.18%	1.60%	0.70%		0.8%
% Operating Margin	22.21%	30.71%	17.30%	15.90%	26.80%		19.8%
Housing Cost per unit	£3,774	£3,637	£4,151	£3,582	£3,125		£3,608
% Return on Capital Employed	6.99%	7.48%	4.56%	4.40%	6.20%		5.70%
Non Financial Covenants Met	Yes	Yes	Yes	Yes	Yes	Yes	Yes

FCHO has continued to deliver high-performing rent collection against a challenging backdrop for 2020/21.

The improved business intelligence reporting has enabled the Income Collection Team to maximise income with a focus on supporting customers to manage the impact of the pandemic, and for many, the transition to Universal Credit; by encouraging them to get a month ahead in their rent. The year-end collection rate was 100.49%.

The amount of rent lost to voids decreased in 2020/21 and as of March 2021 the rent loss due to voids was 0.53%. Understandably, there was a lower level of property churn rate during the pandemic.

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.

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 2019/20 Global Accounts for all housing providers and also more locally, North West LSVTs seven to 12 years old.

		FCHO Data							
	VFM Metric	2017/18 Actual	2018/19 Actual	2019/20 Actual	2020/21 Actual	2021/22 Budget	2024/25 Forecast	FCHO 2019/20 Quartile Performance Global Accounts	FCHO 2019/20 Quartile Performance North West LSVT Providers 7-12 years
1	Reinvestment %	13.99%	24.43%	14.5%	15.20%	15.80%	12.65%	Upper	Upper
2	New supply delivered %	0.02%	0.18%	1.70%	0.70%	0.80%	1.44%	Lower	Median
3	Gearing	9.40%	9.29%	8.60%	10.90%	14.50%	26.48%	Lower	Lower
4	EBITDA MRI %	310.59%	20.74%	243.10 %	490.0%	364.70%	264.16%	Upper	Upper
5	Headline social housing cost per unit (£)	3,637	4,151	3,562	3,125	3,608	3,785	Lower	Lower
6	Operating margin social housing lettings %	29.86%	16.84%	18.20%	26.70%	19.62%	22.76%	Median	Upper
7	Operating margin overall %	30.71%	17.30%	15.90%	26.80%	19.80%	24.06%	Upper	Upper
8	Return on capital employed	7.48%	4.56%	4.40%	6.20%	5.70%	4.92%	Upper	Upper

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

- This remains within upper quartile for 2020/21 and higher than 2019/20 due to increased investment and development expenditure at £25.1m (19/20 £21.3m). This is as a result of increases in capitalised investment works during 2020/21 in comparison to 2019/20, where additional (non-capital) environmental improvement investment works were undertaken. Development expenditure has also increased during 2020/21 (c£1.5m), assisted by an additional 16 units starting on site during the year compared to the Financial Plan.

- The outlook for 2021/22 and future years remains positive as a result of increased investment and development activity with a combined budgeted expenditure of £30.2m and continued provision within the Financial Plan for the following years.

- The reinvestment metric is lower in 2024/25 as a result of a higher asset base. Capitalised Investment works remains stable throughout, with expenditure continuing at around c£11m per annum through to 2024/25.

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

- Lower quartile at 0.7%, although median within peer group. New Supply Delivered has reduced as completions were lower in 2020/21 (84 units) in comparison to 2019/20 (203 units). The impact of site closures and disruptions as a result of Covid-19, also lead to a reduced number of units delivered from the original budget of 101 Units. This metric is forecast to improve in future years, aided by increased development units.

- The outlook for 2020/21 is trending higher, at 0.8%, as a result of an increase in planned completed units (93). New Supply Delivered is anticipated to increase further in future years with increased new units and 2024/25 projected at 1.44% (169 units).

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

- Gearing has marginally increased during 2020/21, at 10.9%, as cash surpluses were utilised (reducing assets) to fund the development and investment programmes. FCHO compares well against the peer group median, 28.1%, demonstrating a strong financial base to support the delivery of the Development and Asset Management Programmes in future years.

- Gearing is anticipated to increase during 2021/22, as borrowing from existing loan facility is anticipated to fund current development schemes. Gearing is still forecast to remain in a healthy position throughout, anticipated at 26.5% by 2024/25, which will be lower in comparison to all providers and median within FCHO's peer group.

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).*

- The 2020/21 metric has increased at 490.0% in comparison to 2019/20 (243.1%), largely as a result of a number of 'one off' items within 2019/20 which adversely impacted this metric (£1.1m development cost write-off & £2.4m FRS102 Pension Adjustment). Metric remains within the upper quartile demonstrating significant headroom to meet interest payments on current and future borrowings.

- EBITDA MRI is expected to reduce in 2021/22 and future years, largely as a result of a planned increases in loan drawings to fund the remainder of the Development Plan.

- Note - 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)%.

FCHO 2020/21 VFM Metric Benchmarking – Breakdown of Headline Social Housing Cost per Unit

			North West LSVT Providers - 7-12 Years			FCHO Quartile Performance
Headline Social Housing Cost per Unit (£)	**2019/20 Actual**	**2020/21 Actual**	**Lower Quartile**	**Medium Quartile**	**Upper Quartile**	
Management costs	1,125	987	1,109	1,235	1,523	**Lower**
Service charge costs	308	284	190	252	339	**Median**
Routine and planned maintenance cists	873	858	849	902	1,212	**Lower**
Major and capitalised repairs expenditure	1,038	940	666	763	1,199	**Median**
Development services	122	22	7	75	109	**Lower**
Other social housing activities	96	34	48	196	374	**Lower**
Headline social housing cost per unit (£)	**3,562**	**3,125**	**2,869**	**3,422**	**4,756**	

Headline Social Housing Cost (HSHC) for 2020/21 is £3,125 (based on final pension adjustment). Repairs and maintenance costs have been lower throughout 2020/21, predominantly as a result of lower levels of activity within Property Care and investment programmes as a result of Covid 19. Management costs (originally budgeted at £1,159) have also been lower as a result of underspends on the investment appraisal fund (change programme) and underspends on staffing from slower than anticipated recruitment across the organisation. In the original 2020/21 budget, the cost per unit was £3,774.

- HSHC is anticipated to be higher for 2021/22, at £3,583. This is due to increased repairs and maintenance costs, carried over from works originally planned for 2020/21 but not delivered due to site closures, material shortages and supplier availability as a result of Covid-19.

- For 2021/22, the cost per unit is in the median quartile, service charge costs are also now within median quartile (improvement from upper in 2019/20) as a result of VFM savings achieved throughout 2020/21. Major repairs remain within 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 to 2024/25 at £3,785, assisted by future VFM savings (within Management and Property Care) within the 2021 Financial Plan.

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 increased for the first time since 2017/18, increasing from 15.9% in 2019/20 to 26.7% in 2020/21. The impairment of tower blocks, along with write-off of development costs and FRS102 Pension adjustment, have resulted in lower operating results for 2018/19 and 2019/20. For 2020/21, the operating metric has increased as a result of lower than anticipated revenue investment spend during the year, impacted by Covid 19, alongside a lower draft pension adjustment (£700k) for 2020/21.

- Operating margins are expected to be around 20% in 2021/22, improving in future years to 24% in 2024/25, helped by the impact of the CPI+1% rent increases and planned VFM savings within the 2021 Financial Plan. It should be noted that the business plan does not include FRS 102 pension adjustments (due to the unpredictable nature) which can have an impact on operating margins.

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 RPs 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 the long-term creditor therefore, this needs to be taken into account when reviewing results.

- The result for 2020/21 is in line with budget expectations and the outlook is for this to remain constant at approximately c6% and within the current upper quartile.

VFM Future Plans

FCHO's future areas of VFM focus in 2021/22 include:

- Continue to deliver increased customer touchpoint satisfaction across all areas.
- Deliver and Implement FCHO Value for Money Strategy during 2021/22.
- Efficiency Strategy focussed on:
  - Neighbourhood Services.
  - Implementation of Asset Performance Tool – increasing the financial performance of stock and the ability to make the right investment decisions.
- Delivery of the Asset Management Strategy linked to the Development Strategy, and Sustainability Strategy to improve future investment in existing stock whilst also considering carbon neutral requirements.

Risk and Assurance

The uncertainty around the longer-term impact of the global Covid 19 pandemic continues to be a risk faced by FCHO. The Board and Executive Team continue to monitor the ongoing effects of the outbreak, including following UK Government advice, and acknowledge that FCHO faces a prolonged period of uncertainty. While the nature of the situation means it is not possible to accurately quantify the longer-term 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 have been kept in place to allow staff to work remotely and have been enhanced with the roll out of cloud-based systems, Office 365 and Teams for improved communication. The key priority has been to ensure, as far as possible, that FCHO's housing services have still been available when needed. With restrictions easing, some customer services have been able to be expanded and for the longer term, different ways of 'blended' working for staff is being introduced.

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. The strategic risks are also linked with the performance framework through triggers that help give an early warning system of where remedial action may need to be taken.

All risk and risk movements are reported quarterly to the Audit and Risk Committee for assessment and progress monitoring, and this is then presented to the Board for further challenge. The Board are also provided with a quarterly Strategic Delivery Plan Strategic Objective progress report aligning strategic risk and assurance as well as an annual report to the Board on the key risk register changes.

Through 2020/21 the risk framework was developed further with enhanced linkages between the controls in place, performance triggers and management of the risks. To strengthen the process, a new Assurance Matrix, based on a three lines of defence model, linked to the internal audit and external scrutiny process, has been introduced and is now part of the quarterly updates, monitoring and challenge. A Risk Management Policy was approved by the Board on 26 May 2021.

Operational Risk Registers for all key parts of the business are being developed and will be in place by the end of 2021. The Board is also reviewing their Risk Appetite Statements in the context of a revised Strategic Delivery Plan and future ambitions.

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

Risk	**Mitigation and Controls**
1. Welfare Reform and impact of economy on tenants.	• Income Collection processes. • Neighbourhood Services processes. • Directions Service. • Community Impact service.
2. Not achieving development ambitions.	• Development Strategy. • Development reports. • Regulator report. • Pipeline Tracker and Watchlist.
3. Impact of government policy on business, economic collapse due to Brexit or other key change	• Significant fixed rate borrowing. • Strong financial reporting & controls. • Stress testing framework including extreme scenarios, reviewed by Treasury Advisors. (Agreed by Board 26 May 2021). • Mitigation action planning. • Horizon planning and monitoring of sector issues. • Revised Financial Regulations and Delegation Framework (agreed by Board Mar 2021). • Treasury Strategy (approved, Board 26 May 2021).
4. Arrangements for dealing with large scale unforeseen event ineffective.	• BCP – Flow chart. • BIAs. • Strategic command groups (bronze, silver, gold). • Incident/accident procedure and management plan. • Incident management plans (fire, asbestos, legionella, gas) • Emergency callout / Service Contact / Local authority contact. • HSE and H&S policy and procedures. • Facilities to work from home and/alternative premises. • Announcement from national incident management team. • Environmental agency notifications. • Continual internal and external updates re Covid. • Horizon scanning for government updates. • ET, Audit and Risk Committee and Board oversight of operational risks arising from Covid. • BCP in place.
5. Ineffective leadership and employee motivation.	• Two independent surveys of leavers to gain understanding of leaving reasons in order to address issues. • Continued interventions to support employee health during Covid. • Begun review of pay and grading. • Scoping of leadership development programme. • Colleague survey, May 2021. • Leadership Team fully staffed. • Colleague Forum established.
6. Failure to meet landlord health, safety and compliance requirements.	• Data held in Northgate and monitored. • Reporting through Pentana and health and safety group. • Inspections where appropriate. • NICEIC inspection annual. • Fire safety review, May 2020 and gas safety review Dec 2020 (Pennington Choices). • Internal Audit programme. • Governance reporting.

Risk	Mitigation and Controls
7. Not achieving regulatory compliance.	• Reports to Committee and Board. • Self-assessments against Regulatory Standards and Code of Governance 2020 complete. • Clear processes on Regulatory Returns. • Monitoring of Compliance activities.
8. Ineffective IT security and resilience.	• Best of breed security systems. • Cyber Essentials Security certification. • GDPR Training and awareness to all staff. • Policies on ICT Security. • Use of software to stop phishing emails. • Training on information and cyber security and phishing to all staff. • Penetration Testing. • Supplier Security accreditation. • Revised GDPR policy.
9. Not fulfilling employer health and safety obligations.	• H&S Policy, procedures and risk assessment. • Competent H&S Advisors. • Annual ISO45001 audit. • Occupational Health Provider. • Annual health surveillance. • Mandatory H&S training for all stakeholders. • Safety Management System. • Approved contractor framework. • IOSH training for managers commenced. • Process in place between HR & HS to ensure that occupational ill-health and work-related absence trigger timely RIDDOR notification • E20 – fully implemented and rolled out Safety management system. • H&S Group / Committee TOR and function reviewed. • L and D system replaced. • Annual home working risk assessment and audit. • Mandatory training records updated by year end with a three year plan thereafter, including procurement of provider.
10. Failure to embed diversity and inclusion.	• Establishing diversity groups to consider how D, E & I should look. • Training managers in good practice regarding appraisals. • Training on E, D & I for all staff. • E, D & I Strategy approved. (26 May 2021)
11. Ineffective Internal control framework.	• Reports to Board and Audit and Risk Committee. • Internal and External Audits. • Audit action tracking. • Financial Regulations. • Procurement Policies and Procedures. • Revised Financial Regulations (agreed by Board 24 March 2021).
12. Failure to deliver effective change management.	• SDP in place for 2020-22. • Culture and vision workshops underway. • Revised Whistleblowing Policy approved by G and R Committee. • Communications Plan for Whistleblowing Policy rolled out. • New CEO appointed. • Outcomes of Culture workshops included in Governance action plans.

Risk	Mitigation and Controls
13. Failure to develop strategic relationships and partnerships.	• Key Account Management Strategy. • Clearly defined roles and responsibilities. • Business plan in place. • Brand and reputation. • Partnership matrix developed and reported to Board with six monthly review in place.

During 2021/22 the Board will be reviewing the Strategic Risk Register in its entirety to realign the risks to the current and anticipated challenges in the external operating environment.

Financial Performance of the Year Ended March 2021

The financial performance for the past two financial years is presented below, the turnover for 2020/21 was £49.0m with an operating surplus of £14.5m. FCHO made a surplus for the year of £12.5m after taxation. After an actuarial loss on the defined benefit scheme of £13.5m, the total comprehensive loss for the year is £1.1m.

In 2020/21, 67% of investment work was capitalised with the remaining work expensed through the Income Statement. Turnover has fallen in 2020/21 in comparison to 2019/20, which is as a result of 31 Shared Ownership units sold in 2019/20, thereby increasing turnover, in comparison to one unit sold in 2020/21.

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

- Levels of investment have reduced £2.5m against budget in 2020/21, largely as a result of the impact of Covid-19 on staff/contractor availability, along with material delay/shortages. This work due is now being reprogrammed into future year's investment budgets.
- Strong income collection results, with collection rates at 100.4% versus a budget of 99.7%.
- Slower than anticipated recruitment of key posts across the organisation, largely as a result of the impact of Covid 19 on the employment market.

The table below also summarises FCHO's assets and liabilities. Development and investment within existing and new housing stock continues to increase the asset base of the organisation, providing further room for growth in future. During the year, FCHO's secured stock (10,825 units) was valued £177.4m based on EUV-SH basis. This provides FCHO with a firm foundation for future borrowing.

The accounting policies applied are shown on pages 40 to 46.

Consolidation	**2020 £'000**	**2019 £'000**
Income & expenditure account		
Turnover	49,021	50,777
Operating costs	(35,890)	(42,686)
Surplus on disposal of fixed assets	1,409	1,761
Operating surplus	14,540	9,852
Surplus for the year after taxation	12,466	7,739
Total comprehensive (loss)/income for year	(1,106)	22,423
Balance Sheet		
Housing properties net of depreciation	165,573	146,553
Other tangible assets	10,032	10,291
Net current assets	59,732	68,203
	235,337	225,047
Creditors due after one year	45,204	41,571
Provisions - Pension Liability & VAT Shelter	86,078	78,316
Revenue Reserve	104,055	105,160
	235,337	225,047
Operational indicators		
Total housing stock * includes 246 units due to be demolished in 2021/22	11,362	11,570
Arrears of rent and service charges as a % of Rent Debit	2.11%	2.46%
Total loans due in 5 years or more	25,500	25,500
Operating Margin	30%	19%

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 the LGPS scheme to new employees and all new employees are offered the option to remain in a defined contribution scheme following their auto enrolment.

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 Treasury Management Policy and Strategy is reviewed annually and this was approved by Board in May 2021. FCHO’s Policy is to retain minimum cash whilst ensuring sufficient funds for the investment and development programmes 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.

FCHO has refreshed and updated its business plan since this refinancing exercise and reviewed funding requirements in line with the level of committed facilities available under the Santander loan facility. Based on the funding requirements of the latest business plan, one facility has been allowed to lapse, reducing non-utilisation fees, leaving a £70.5m funding package available. During 2021/22 work will commence on refinancing FCHO current loan facilities.

Cash Flow and Liquidity

The net cash inflow from operating activities before interest costs was £15.0m. Bank balances and short-term investments were £9.4m at the year end.

Covenant Compliance

Under the terms of the loan agreement the company has to comply with three financial covenants, these 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 2021 showed that the company was compliant with all covenants

COVID-19

FCHO is continually monitoring the impact of Covid 19 on the sector and itself. FCHO has identified the risks of Covid 19, including the potential impact on cash collection and tenant arrears and access to investment works. There has been no adverse impact seen on the collection of rents in the period since the first lockdown, although this is being closely monitored and some customers have continued to report Covid 19 as their reason not to pay. However, FCHO believes that changes it has made to its cash collection and customer support processes has mitigated the impact and reduced the number of customers struggling to pay their rent. FCHO initially saw an increase in no access with compliance visits and this has been very carefully managed. Both cash collection and no-access are reviewed on a weekly basis to identify any emerging issues.

FCHO saw delays in its development programme as a result of Covid 19. Currently all contractors are back on site and the delays have been built into the revised Business Plan.

Despite the risks identified around Covid 19, FCHO continues to be in a strong financial position. The impacts of further lockdowns have been scenario tested in the business plan, and mitigations have been identified to address any potential impact of Covid-19 on the business plan. FCHO maintains a mitigation plan, which details what actions will be taken if required, the length of time to put these actions in place, the cost of the actions and any commitments that need to be addressed.

The Board has considered the potential impairment of its assets as a result of Covid 19; and are satisfied that no adjustment is required to the financial statements against housing properties.

Going Concern

FCHO's business activities, its current financial position and factors likely to affect its future development are set out within the Strategic Report. The assessment of the significant risks faced by FCHO, including exposures arising from Covid-19 are considered in the preceding segments of this report. FCHO has demonstrated strong Value for Money Metrics, significant headroom within loan covenants, strong income collection rates, which has led to the Board's judgement that FCHO has a financially strong Business Plan, including mitigations which display resilience to respond to stress scenarios. These results demonstrate FCHO remains financially viable after considering reasonably worst case scenarios.

After making enquiries, the Board has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, being a period of at least 12 months after the date on which the report and financial statements are signed. For this reason, it continues to adopt the going concern basis in the financial statements.

In concluding this view, the Board fully appraised the changing business environment facing FCHO, has considered the financial projections within the Business Plan, the results of stress testing of the Business Plan and assessed the strategic risks faced by FCHO and the means available to mitigate these risks.

Approval

This strategic report was approved by the Board of Directors on 15 September 2021.

Donna Cezair

Chief Executive

The Report of the Board of Directors

The Board of Directors present their report and audited financial statements for the year ended 31 March 2021.

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 (RSH). 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 three FCHO officers. NLHs' Directors are registered as Company Directors with Companies House. NLH met to consider official duties on two occasions in 2020/21.

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 2021/22.

The Board and Executive Officers

The Board and Executive Officers are listed on page 3. 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 eight scheduled occasions during 2020/21. Due to the ongoing Covid pandemic, no Board Away days were held through the year, one has taken place in July 2021.

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.

- Audit and Risk Committee – the Committee met to consider official duties on four occasions during 2020/21
- Governance and Remuneration Committee – the Committee met to consider its official duties on four occasions during 2020/21
- Investment and Development Committee – the Committee met to consider its official duties on six occasions during 2020/21.

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 and Development Committee

The role of the Investment and Development Committee is to provide strategic direction and leadership to ensure that FCHO's development and investment programmes deliver 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.

Donations

During the year FCHO has made charitable donations to the total of £41,749 (2019/20: £77,572) 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 2021 is shown in the following table:

Financial Year 2020/2021	**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	99.38%	£100	£793.77

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 2021.

This statement sets out the steps that FCHO have taken in the 2020/2021 financial year to ensure there is no modern slavery (including human trafficking) in the business or supply chains.

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

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 2020 up to the date of approval of the report and Financial Statements. FCHO has a number of arrangements in place that make up 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 Delivery Plan, 30-year financial plan, Risk Management Framework and Assurance Matrix. 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 reported 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 2020/21 there were Fifteen internal audits completed and these did not highlight any fundamental risks. Five had a Substantial assurance level, four adequate, four Needs Improvement, one Compliant and one Advisory.

- 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 2020/21, there was one case of fraud relating to a cyber-attack that was reported to the Information Commissioners Office (ICO) and the RSH. The issue was fully investigated and the ICO decided that no action was required from them, however, learning points were identified and progress reported to each Audit and Risk Committee, with all actions being completed by the end of April 2021.

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 2020/21, there were three instances of whistleblowing which have all since been concluded.

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 2021, and for the period to the date of signing the financial statements.

Compliance with the National Housing Federation Code of Governance

FCHO has adopted the National Housing Federation's 2015 Code of Governance (the Code). The Board considers compliance against each of the provisions of the Code on an annual basis. Following this review on 26 May 2021, the Board was assured that FCHO is fully compliant with the Code. To enable continuous improvement, the Board has 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.

The Board adopted the National Housing Federation's new 2020 Code with effect from 1 April 2021 and an exercise undertaken to assess compliance in preparation for 2021/22. Although compliant in all areas, a number of areas for further enhancements have also been identified.

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. The latest Stability Check in February 2021, again reaffirmed the G1/V1 position.

FCHO's Board has assessed its compliance against the Regulator's Governance and Financial Viability Standard. FCHO has developed an assurance model (based on three lines of defence model) which supports evidencing compliance with the Standard and supports the Codes of Practice (where applicable). The Board was assured that FCHO meets all the requirements of the Standard at the meeting held on 26 May 2021 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.

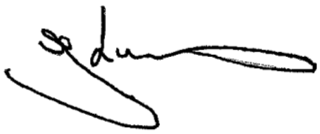
Disclosure of information to auditor

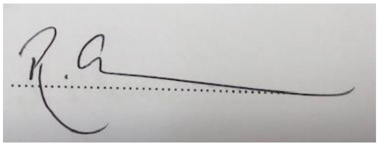
The Board of Directors who held office at the date of approval of this Board of Director's report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each Director has taken all the steps that he/she ought to have taken 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's external audit service for a further three-year contract period, with the option of an additional year commencing from the 2017/18 annual external audit. The optional additional year was exercised for the 2020/21 audit.

The report of the Board of Directors was approved on 15 September 2021 and signed on its behalf by:





Ged Lucas
Chair of the Board

Ronnie Clawson
Chair of Audit and Risk Committee

Juliet Craven
Company Secretary

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FCHO LIMITED

Opinion on the financial statements

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 2021 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.

We have audited the financial statements of First Choice Homes Oldham Limited ("the Association") and its subsidiaries ("the Group") for the year ended 31 March 2021 which comprise the consolidated and Association statement of comprehensive income, the consolidated and Association statement of financial position, the consolidated and Association statement of changes in equity, the consolidated cash flow statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remain 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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the board members' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and of the Association's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the board with respect to going concern are described in the relevant sections of this report.

Other information

The board are responsible for the other information. The 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. Our responsibility is to read the other information including the Strategic Report, Report of the Board of Directors, Statement of Corporate Governance and Internal Controls, 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 board members responsibilities statement, 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.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Based on our understanding and accumulated knowledge of the Group, and the sector in which it operates, we identified that the principal risks of non-compliance with laws and regulations related to their registration with the Regulator of Social Housing, and we considered the extent to which non-compliance might have a material effect on the Group financial statements or their continued operation. We also considered those laws and regulations that have a direct impact on the financial statements such as compliance with the Accounting Direction for Private Registered Providers of Social Housing and tax legislation. All audit team members were briefed to ensure they were aware of any relevant regulations in relation to their work, areas of potential non-compliance and fraud risks.

We evaluated managements' incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of an override of controls), and determined that the principal risks were related to posting inappropriate journal entries to manipulate financial results and management bias in accounting estimates.

Our audit procedures in response to the risks identified above included, but were not limited to:

- agreement of the financial statement disclosures to underlying supporting documentation;
- challenging assumptions made by management in their significant accounting estimates in particular in relation to the following:
    - Whether there are any indications of impairment and what constitutes a cash generating unit
    - Recoverability of receivables including rent arrears
    - The assumptions used in the calculation of the GMPF pension scheme valuation
    - The allocation of costs for mixed tenure developments and shared ownership properties
    - The useful economic lives of tangible fixed assets

- discussions with, and inquiries of, management and those charged with governance, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- enquires to confirm with management that there was no legal correspondence during the period, or post year end, requiring review;
- obtaining an understanding of the control environment in monitoring compliance with laws and regulations.
- review of relevant registers such as those associated with risk and fraud;
- identifying and testing journal entries identified as potentially unusual, in particular considering whether there any journal entries posted by staff members with privileged access rights or key management
- a review of minutes of meetings of those charged with governance both during the period, and post year end;
- considering internal audit findings; and
- considering whether there is any correspondence with HMRC and the Regulator of Social Housing.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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

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.

DocuSigned by:
HELEN KNOWLES
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BDO LLP

Statutory Auditor

Manchester, UK

Date: 21 September 2021

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 2021	Note:	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Turnover	2	49,021	50,777
Operating costs	2	(35,890)	(42,686)
Surplus on disposal of housing properties		1,409	1,761
Operating surplus		**14,540**	**9,852**
Interest receivable and similar income	7	15	73
Interest and financing costs	6	(2,089)	(2,186)
Surplus before taxation		**12,466**	**7,739**
Taxation on surplus	9	-	-
Surplus for the financial year after taxation		**12,466**	**7,739**
Other comprehensive income:			
Actuarial (losses)/gains on defined benefit pension scheme	12	(13,572)	14,684
Total comprehensive (loss)/income for year		**(1,106)**	**22,423**

The consolidated results relate wholly to continuing activities.

The notes on pages 40 to 67 form part of the financial statements.

Association statement of comprehensive income

For the year ended 31 March 2021	Note:	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Turnover	2	49,021	50,777
Operating costs	2	(35,882)	(42,675)
Surplus on disposal of housing properties		1,409	1,762
Operating surplus		**14,548**	**9,864**
Interest receivable and similar income	7	15	73
Interest and financing costs	6	(2,089)	(2,186)
Gift aid from subsidiary undertaking	9	241	352
Surplus before taxation		**12,715**	**8,102**
Taxation on surplus	9	-	-
Surplus for the financial year after taxation		**12,715**	**8,102**
Other comprehensive (loss)/income:			
Actuarial (losses)/gains on defined benefit pension scheme	12	(13,572)	14,684
Total comprehensive (loss)/income for year		**(857)**	**22,786**

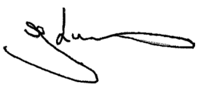
The association's results relate to continuing operations.

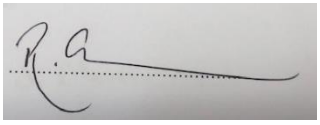
The notes on pages 40 to 67 form part of the financial statements.

Consolidated and Association statement of financial position

For the year ended 31 March 2021	Note:	Group 2021 £'000	Group 2020 £'000	Association 2021 £'000	Association 2020 £'000
Tangible Fixed assets					
Housing properties	13	165,573	146,553	166,339	147,178
Other fixed assets	14	10,032	10,291	10,032	10,291
		175,605	156,844	176,371	157,469
Current Assets					
Properties held for sale	15	-	52	-	52
Debtors - receivable within one year	16	17,243	17,418	17,226	17,403
Debtors - receivable after one year	16	45,613	48,953	45,613	48,953
Investments in short term deposits		2,103	3,100	2,103	3,100
Cash and cash equivalents		7,248	9,600	6,404	9,339
		72,207	79,123	71,346	78,847
Creditors: amounts falling due within one year	17	(12,475)	(10,920)	(11,748)	(10,886)
Net current assets		59,732	68,203	59,598	67,961
Total assets less current liabilities		235,337	225,047	235,968	225,430
Creditors: amounts falling due after more than one year	18	(45,204)	(41,571)	(45,204)	(41,571)
Provisions for liabilities and charges					
Other provisions	21	(55,931)	(62,410)	(55,931)	(62,410)
Pension liability	12	(30,147)	(15,906)	(30,147)	(15,906)
Total net assets		104,055	105,160	104,686	105,543
Capital and reserves					
Income and expenditure reserve		104,055	105,160	104,686	105,543
Total reserves		104,055	105,160	104,686	105,543

The financial statements were issued and approved by the Board of Directors on 15 September 2021 and were signed on its behalf by:





Ged Lucas
Chair

Ronnie Clawson
Chair of Audit and Risk Committee

The notes on pages 40 to 67 form part of these financial statements.

Consolidated statement of changes in reserves

For the year ended 31 March 2021	Note:	Income and expenditure reserve £'000	Total £'000
Balance as April 2019		82,737	82,737
Surplus for the year		7,739	7,739
Other Comprehensive Income for the year			
Actuarial gain relating to defined benefit pension scheme	12	14,684	14,684
Balance as 31 March 2020		**105,160**	**105,160**
Surplus for the year		12,466	12,466
Other Comprehensive loss for the year:			
Actuarial loss relating to defined benefit pension scheme	12	(13,572)	(13,572)
Balance as 31 March 2021		**104,055**	**104,055**

The notes on pages 40 to 67 form part of the financial statements.

Association statement of changes in reserves

	Note:	Income and expenditure reserve	Total
For the year ended 31 March 2021		**£'000**	**£'000**
Balance as April 2019		82,757	82,757
Surplus for the year		8,102	8,102
Other Comprehensive Income for the year			
Actuarial gain relating to defined benefit pension scheme	12	14,684	14,684
Balance as 31 March 2020		**105,543**	**105,543**
Surplus for the year		12,715	12,715
Other Comprehensive loss for the year:			
Actuarial loss relating to defined benefit pension scheme	12	(13,572)	(13,572)
Balance as 31 March 2021		**104,686**	**104,686**

The notes on pages 40 to 67 form part of the financial statements.

Consolidated statement of cash flows

Group

For the year ended 31 March 2021	**2021 £'000**	**2020 £'000**
Cash flows from operating activities		
Surplus for the financial year	12,466	7,739
Adjustments for:		
Interest payable and finance costs	2,089	2,186
Interest received	(15)	(73)
Depreciation on tangible fixed assets - housing properties	5,686	5,337
Depreciation on fixed assets - other	700	360
Amortised grant	(162)	(125)
Difference between net pension expense and cash contribution	300	1,689
Surplus on the sale of fixed assets - housing properties	(1,409)	(2,030)
(Increase)/decrease in trade and other debtors	(1,530)	2,198
Properties for sale - stock	-	1,080
(Decrease) in trade and other creditors	(1,008)	(665)
Cash from operations	17,117	17,696
Taxation paid	-	-
Net cash generated from operating activities	17,117	17,696
Cash flows from investing activities		
Proceeds from sale of fixed assets - housing properties	1,850	2,598
Purchase of fixed assets - housing properties	(23,538)	(22,313)
Purchase of fixed assets - other	(386)	(911)
Cash and similar investments	-	(1)
Receipt of grant	3,309	3,852
Interest received	15	72
Net cash used in investing activities	(18,750)	(16,703)
Cash flows from financing activities		
Interest paid	(1,716)	(1,433)
Loan advances received	-	-
Repayment of loans - bank	-	-
Transfer from deposits	997	(3,000)
Net cash used in financing activities	(719)	(4,433)
Net decrease in cash and cash equivalents	(2,352)	(3,440)
Cash and cash equivalents at beginning of the year	9,600	13,040
Net cash movement	(2,352)	(3,440)
Cash and cash equivalents at end of the year	**7,248**	**9,600**

Notes to the financial statements for the year ended 31 March 2021

Note 1: Accounting Policies

Legal status
The association (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 Ltd a registered company under the Companies Act which develops new housing for the group.

Basis of preparation
These financial statements of the group and association have been prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including Financial Reporting Standard 102 (FRS102), the Statement of Recommended Practice for registered housing providers: Housing SORP 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 assessment of the significant risks faced by FCHO, including exposures arising from Covid-19 are considered in the preceding segments of this report. FCHO has demonstrated strong Value for Money Metrics, significant headroom within loan covenants, strong income collection rates, which has led to the Board’s judgement that FCHO has a financially strong Business Plan, including mitigations which display resilience to respond to stress scenarios. These results demonstrate FCHO remains financially viable, even after considering reasonably worst case scenarios.

On this basis, the Board has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, being a period of at least 12 months after the date on which the report and financial statements are signed. For this reason, it continues to adopt the going concern basis in the financial statements.

In concluding this view, the Board fully appraised the changing business environment facing FCHO, has considered the financial projections within the Business Plan, the results of stress testing of the Business Plan and assessed the strategic risks faced by FCHO and the means available to mitigate these risks.

Notes to the financial statements for the year ended continued for the 31 March 2021

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)
- trache 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 continued for the 31 March 2021

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 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

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.

Notes to the financial statements for the year ended continued for the 31 March 2021

Note 1: Accounting Policies (continued)

Improvements to housing properties and depreciation (continued)
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.

Notes to the financial statements for the year ended continued for the 31 March 2021

Note 1: Accounting Policies (continued)

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.

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:

Other Fixed Assets	UEL (Years)
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.

Stock
Stock represents work in progress relating to Shared Ownership properties. For Shared Ownership properties the value held as stock is the estimated cost to be sold as a first tranche.

Notes to the financial statements for the year ended continued for the 31 March 2021

Note 1: Accounting Policies (continued)

Stock is stated at cost. Costs comprises of materials, direct labour and direct development overheads. An assessment of whether there is any impairment is made at each reporting date. Where an impairment loss is identified, it is immediately recognised in the Statement of Consolidated Income.

On disposal, sales proceeds are included in turnover and the costs of sales, including costs incurred in the development of the properties, marketing and other incidental costs are included in operating expenses.

Short-term debtors and creditors

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

Holiday pay accrual

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

Leasing Commitments

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

Pension costs

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

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

The Group also participates in a defined contribution scheme contribution 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.

Notes to the financial statements for the year ended continued for the 31 March 2021

Note 1: Accounting Policies (continued)

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

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

Judgement 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 31 March 2021

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

	Turnover 2021 £'000	Cost of sales 2021 £'000	Operating expenditure 2021 £'000	Operating Surplus 2021 £'000
Social housing lettings (note 3)	47,675	-	(34,950)	12,725
Other social housing activities				
Supporting People	-	-	-	-
Management fee	217	-	(203)	14
First tranche low-cost home ownership sales	43	(39)	-	4
Development administration	-	-	(252)	(252)
Other	637	-	(195)	442
Activities other than Social Housing				
Other	449	-	(251)	198
Total	49,021	(39)	(35,851)	13,131
Surplus on disposal of fixed assets	-	-	-	1,409
	49,021	(39)	(35,851)	14,540

	Turnover 2020 £'000	Cost of Sales 2020 £'000	Operating expenditure 2020 £'000	Operating Surplus 2020 £'000
Social housing lettings (note 3)	46,245	-	(37,838)	8,407
Other social housing activities				
Supporting People	-		-	-
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
Activities other than Social Housing				
Other	489	-	(268)	221
Total	50,777	(2,060)	(40,626)	8,091
Surplus on disposal of fixed assets	-	-	-	1,761
	50,777	(2,060)	(40,626)	9,852

Notes to the financial statements for the year ended 31 March 2021

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

	Turnover 2021 £'000	Cost of Sales 2021 £'000	Operating expenditure 2021 £'000	Operating Surplus 2021 £'000
Social housing lettings (note 3)	47,675	-	(34,942)	12,733
Other social housing activities				
Supporting People	-	-	-	-
Management fee	217	-	(203)	14
First tranche low- cost home ownership sales	43	(39)	-	4
Development administration	-	-	(252)	(252)
Other	637	-	(195)	442
Activities other than Social Housing				
Other	449	-	(251)	198
Total	49,021	(39)	(35,843)	13,139
Surplus on disposal of fixed assets	-	-	-	1,409
	49,021	(39)	(35,843)	14,548

	Turnover 2020 £'000	Cost of Sales 2020 £'000	Operating expenditure 2020 £'000	Operating Surplus 2020 £'000
Social housing lettings (note 3)	46,245	-	(37,827)	8,418
Other social housing activities				
Supporting People	-	-	-	-
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
Activities other than Social Housing				
Other	489	-	(268)	221
Total	50,777	(2,060)	(40,615)	8,102
Surplus on disposal of fixed assets	-	-	-	1,761
	50,777	(2,060)	(40,615)	9,863

Notes to the financial statements for the year ended 31 March 2021

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

	2021			2020
	General Needs Housing	**Shared Ownership**	**Total**	Total
	£'000	**£'000**	**£'000**	£'000
Income from social housing lettings				
Rent receivable net of identifiable service charges	45,287	83	45,370	43,980
Service charge income	2,137	6	2,143	2,140
Amortised government grants	162	-	162	125
Turnover from social housing lettings	47,586	89	47,675	46,245
Expenditure on social housing lettings				
Management	(11,456)	-	(11,456)	(13,020)
Service charge costs	(3,292)	-	(3,292)	(3,568)
Routine maintenance	(7,049)	-	(7,049)	(7,431)
Planned maintenance	(2,912)	-	(2,912)	(2,664)
Bad debts	(217)	-	(217)	(424)
Major repairs expenditure	(3,638)	-	(3,638)	(5,035)
Depreciation of housing properties	(6,386)	-	(6,386)	(5,697)
Impairment Costs	-	-	-	-
Other costs	-	-	-	-
Operating expenditure on social housing lettings	(34,950)	-	(34,950)	(37,839)
Operating Surplus on Social Housing Lettings	12,636	89	12,725	8,407
Void Losses	469	-	469	587

Notes to the financial statements for the year ended 31 March 2021

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

	2021			2020
	General Needs Housing	**Shared Ownership**	**Total**	Total
	£'000	**£'000**	**£'000**	£'000
Income from social housing lettings				
Rent receivable net of identifiable service charges	45,287	83	45,370	43,980
Service charge income	2,137	6	2,143	2,140
Amortised government grants	162	-	162	125
Turnover from social housing lettings	47,586	89	47,675	46,245
Expenditure on social housing lettings				
Management	(11,448)	-	(11,448)	(13,009)
Service charge costs	(3,292)	-	(3,292)	(3,567)
Routine maintenance	(7,049)	-	(7,049)	(7,431)
Planned maintenance	(2,912)	-	(2,912)	(2,664)
Bad debts	(217)	-	(217)	(424)
Major repairs expenditure	(3,638)	-	(3,638)	(5,035)
Depreciation of housing properties	(6,386)	-	(6,386)	(5,697)
Impairment Costs	-	-	-	-
Other Costs	-	-	-	-
Operating expenditure on social housing lettings	(34,942)	-	(34,942)	(37,827)
Operating Surplus on Social Housing Lettings	12,644	89	12,733	8,418
Void Losses	469	-	469	587

Notes to the financial statements for the year ended 31 March 2021

Note 4: Operating Surplus	**Group 2021 £'000**	Group 2020 £'000	**Association 2021 £'000**	Association 2020 £'000
The operating surplus is arrived at after charging:				
Tangible fixed assets depreciation and impairment:				
Housing stock	5,628	5,264	5,628	5,264
Accelerated depreciation on replaced components	58	73	58	73
Impairment of housing properties	-	-	-	-
Other fixed assets	700	360	700	360
Auditor's remuneration:				
Amounts paid to BDO LLP (excluding VAT):				
In their capacity as auditor's	30	30	23	23
Fees for other non-audit services	7	7	5	5
Operating lease charges:				
Land and buildings	28	26	28	26
Other	630	624	630	624

Note 5: Surplus on sale of fixed assets - housing properties	**Shared Ownership**	**Other housing properties**	**Total**	**Total**
Group and Association	**2021 £'000**	**2021 £'000**	**2021 £'000**	2020 £'000
Disposal proceeds	43	1,807	1,850	4,707
Carrying value of fixed assets	(39)	(398)	(437)	(2,568)
	4	1,409	1,413	2,139
Recycled Capital Grant (note 20)	-	(109)	(109)	(109)
Total surplus on sale of fixed assets	4	1,300	1,304	2,030

Notes to the financial statements for the year ended 31 March 2021

Note 6: Interest payable and similar charges

Group and Association	2021	2020
	£'000	£'000
Bank loans and overdrafts	(1,608)	(1,610)
Other finance costs	(491)	(470)
Disposal Proceeds Fund & Recycled Capital Grant	(1)	(1)
Net interest on net defined benefit pension liability (note 12)	(369)	(698)
	(2,469)	(2,779)
Interest payable capitalised on housing properties under construction	380	593
	(2,089)	(2,186)
Capitalised rate used to determine the finance costs capitalised during the period	7.6%	8.3%

Note 7: Interest receivable and other income

Group and Association	2021	2020
	£'000	£'000
Interest receivable and similar income	15	73
	15	73

Notes to the financial statements for the year ended 31 March 2021

Note 8: Units of housing stock

Group and Association	2021	2020
	No. of properties	No of properties
Social Housing	10,550	10,595
Affordable - General needs	915	831
Low-cost home ownership	32	32
Intermediate rent	111	112
Total Owned	11,608	11,570
Units under construction	113	101

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 £0.241m in the period ended 31 March 2021 (2020: £0.352m). 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 31 March 2021

Note 10: Directors remuneration

	Group 2021 £'000	Group 2020 £'000	Association 2021 £'000	Association 2020 £'000
The aggregate emoluments paid to or receivable by non-executive directors and former non-executive directors excluding pension contributions	49	51	49	51
The aggregate emoluments paid to or receivable by executive directors and former executive directors excluding pension contributions	716	959	716	959
The emoluments paid to the highest paid director excluding pension contributions	109	144	109	144
The aggregate amount of directors or past directors pensions	62	109	62	109

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

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

Board Members

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

Board members	2021 £'000 Remuneration	2020 £'000 Remuneration	Member of: Audit & Risk Committee	Remuneration Committee	Group Board	New Living Homes Board
Board member						
Gerard Lucas	10	10		X	X	X
Carl Brazier	3	5	X		X	
Hilda Kaponda	6	5		X	X	
John Carleton	4	5			X	X
Philip Pearson	4	4	X	X	X	
Mumtaz Ali	4	4	X		X	
Ronald Smith	4	4			X	
Jean Mira	4	4	X	X	X	
Clare Doyle	2	2				X
Amanda Harris	4	4		X	X	
Ronnie Clawson	4	4	X		X	
	49	51				

The aggregate amount of expenses paid to Board members in the period was £568 (£4,076 in 2020).

Notes to the financial statements for the year ended 31 March 2021

Note 11: Employee Information

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

	Group	Group	**Association**	Association
	2021	2020	**2021**	2020
	No.	No.	**No.**	No.
Housing maintenance	126	132	126	132
Housing management	136	162	136	162
Support services	27	23	27	23
Development	6	11	6	11
Other services	60	61	60	61
	355	389	355	389

Staff costs (including Executive Management Team) consist of:

	Group	Group	**Association**	Association
	2021	2020	**2021**	2020
	£'000	£'000	**£'000**	£'000
Wages and salaries	11,414	11,961	11,414	11,961
Social Security costs	1,081	1,136	1,081	1,136
Cost of defined benefit scheme	1,820	3,080	1,820	3,080
Cost of defined contribution scheme	467	401	467	401
	14,782	16,578	14,782	16,578

Employers & members contribution for the defined benefit scheme are shown in note12.

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

Group and Association	**2021**	**2020**
£60,000 - £69,999	5	4
£70,000 - £79,999	2	4
£80,000 - £89,999	2	2
£90,000 - £99,999	2	-
£100,000 - £109,999	2	-
£110,000 - £119,999	1	-
£120,000 - £129,999	-	1
£130,000 - £139,999	-	-
£140,000 - £149,999	-	-
£150,000 - £159,999	-	-
£160,000 - £169,999	-	1

Notes to the financial statements for the year ended 31 March 2021

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.
A full actuarial valuation of the defined benefit scheme was carried out 31 December 2016 and updated to 31 December 2017 and 2019 by a qualified independent actuary. Contributions to the scheme are made by the group based on the advice of the actuary and with the aim of making good the deficit over the remaining working life of the employees.

The financial assumptions underlying the last valuation are as follows:

Date of valuation	31 March 2021
Method of valuation	Projected Unit

The valuation was based on the following assumptions:

	31 March 2021		31 March 2020	
Rate of return on accumulated assets	2.05%	pa	2.30%	pa
Rate of salary increases	3.55%	pa	2.60%	pa
Rate of pension increases	2.80%	pa	1.80%	pa
Discount rate	2.05%	pa	2.30%	pa

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

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

	Males		Female	
Current Pensioners	20.5	yrs	23.3	yrs
Future Pensioners *	21.9	yrs	25.3	yrs

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

Split of Scheme Assets:	**31 March 2021** Distribution %	**31 March 2021** Distribution %
Equities	72.0%	69.0%
Bonds	12.0%	15.0%
Property	7.0%	7.0%
Cash	9.0%	9.0%
Total	**100%**	**100%**

Asset and Liability Reconciliation

Reconciliation of fair value of plan assets	**31 March 2021 £'000**	**31 March 2020 £'000**
At the beginning of the year	61,267	66,296
Interest income	1,417	1,604
Contributions by members	362	456
Contributions by the employer	1,520	1,391
Actuarial gains / (losses)	12,269	(7,432)
Benefits paid	(1,086)	(1,048)
At the end of the year	**75,749**	**61,267**

Notes to the financial statements for the year ended 31 March 2021

Note 12: Pension obligations (continued)

Reconciliation of present value of plan liabilities	31 March 2021 £'000	31 March 2020 £'000
At the beginning of the year	77,173	94,499
Current Service Cost	1,818	3,010
Interest Cost	1,786	2,302
Contributions by members	362	456
Changes in financial assumptions	26,157	(11,253)
Past service cost (including curtailments)	2	70
Changes in demographic assumptions	335	(2,321)
Other experience	(651)	(8,542)
Estimated benefits paid	(1,086)	(1,048)
At the end of the year	**105,896**	**77,173**
Net pension scheme liability	**(30,147)**	**(15,906)**

Amounts recognised in Other Comprehensive Income are as follows:

Included in administrative expenses:		
Current service cost	1,818	3,010
Past service cost (including curtailments)	2	70
Total operating charge	**1,820**	**3,080**
Amounts (charged) / credited to other finance costs		
Interest income on plan assets	1,417	1,604
Interest on pension scheme liabilities	(1,786)	(2,302)
Net interest costs return	**(369)**	**(698)**
Analysis of actuarial (loss)/gain recognised in Other Comprehensive Income		
Actual return less interest income included in net interest income	12,269	(7,432)
Changes in demographic assumptions	(335)	2,321
Other experience	651	8,542
Changes in assumptions on present value of liabilities	(26,157)	11,253
Actuarial (loss)/gain in other comprehensive income	**(13,572)**	**14,684**

The estimate the employer's contributions for the year to 31 March 2022 will be approximately £1.520m (2021 £1.814m).

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 Aviva. The pension charge represents contributions payable by the association to the fund and amounted to £467,391 (2020: £401,409). Contributions amounting to NIL (2020: £77,352) were payable to the fund as at 31 March 2021 and are included in creditors.

Notes to the financial statements for the year ended 31 March 2021

Note 13: Tangible fixed assets - Housing properties

Group

	Social housing properties held for lettings	Social housing properties under construction	Shared ownership completed	Shared ownership under construction	**Total Social housing properties**
	£'000	£'000	£'000	£'000	**£'000**
Cost					
At 1 April 2020	162,900	6,765	2,502	-	172,167
Replaced components	7,273	-	-	-	7,273
Interest capitalised	-	380	-	-	380
Additions	-	17,432	18	-	17,450
Completed schemes	14,728	(14,728)	-	-	-
Disposals - stair-casing sales	-	-	-	-	-
Disposals - replaced components	(563)	-	-	-	(563)
At 31 March 2021	184,338	9,849	2,520	-	196,707
Depreciation and impairment					
At 1 April 2020	25,598	-	16	-	25,614
Depreciation charge in year	5,659	-	26	-	5,685
Impairment accumulated depreciation	-	-	-	-	-
Disposals - replaced components	(165)	-	-	-	(165)
At 31 March 2021	31,092	-	42	-	31,134
Net Book Value at 31 March 2021	153,246	9,849	2,478	-	165,573
Net Book Value at 31 March 2020	137,302	6,765	2,486	-	146,553

Note 13: Tangible fixed assets - Housing properties

Association

	Social housing properties held for lettings	Social housing properties under construction	Shared ownership completed	Shared ownership under construction	**Total Social housing properties**
	£'000	£'000	£'000	£'000	**£'000**
Cost					
At 1 April 2020	162,900	7,319	2,573	-	172,792
Replaced components	7,273	-	-	-	7,273
Interest capitalised	-	380	-	-	380
Additions	-	17,573	18	-	17,591
Schemes completed	14,728	(14,728)	-	-	-
Disposals - stair-casing sales		-	-	-	-
Disposals - replaced components	(563)	-	-	-	(563)
At 31 March 2021	184,338	10,544	2,591	-	197,473
Depreciation and impairment					
At 1 April 2020	25,598	-	16	-	25,614
Depreciation charge in year	5,659	-	26	-	5,685
Impairment charge in year	-	-	-	-	-
Disposals - replaced components	(165)	-	-	-	(165)
At 31 March 2021	31,092	-	42	-	31,134
Net Book Value at 31 March 2021	153,246	10,544	2,549	-	166,339
Net Book Value at 31 March 2020	137,302	7,319	2,557	-	147,178

Notes to the financial statements for the year ended 31 March 2021

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

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

	2021	2020
	£'000	£'000
Freehold	150,306	133,714
Long leasehold	15,793	13,467
	166,099	147,181

Works to existing properties in the year:

	2021	2020
	£'000	£'000
Improvement works capitalised	-	-
Components capitalised	7,273	6,979
Amounts charged to income and expenditure	3,638	5,035
	10,911	12,014

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

	2021	2020
	£'000	£'000
Social Housing Grant received	20,741	16,934
Social Housing Grant received and held in creditors as deferred income	868	-
Capital grant - Housing Properties	21,609	16,934
Disposal Proceed Funds	-	-
Recycled Capital Grant Fund	109	109
Total Housing Grant received	21,718	17,043

Finance costs

	2021	2020
	£'000	£'000
Aggregate amount of finance costs included in the cost of housing properties	380	536

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.

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	**Total**
	£'000	£'000	£'000	£'000	**£'000**
Cost					
At 1 April 2020	9,352	3,714	48	1,025	14,139
Additions	60	-	-	381	441
Transfers	-	1,134	-	(1,134)	-
Disposals	-	-	-	-	-
At 31 March 2021	9,412	4,848	48	272	14,580
Depreciation					
At 1 April 2020	505	3,341	2	-	3,848
Charge in the year	110	580	10	-	700
Disposal	-	-	-	-	-
At 31 March 2021	615	3,921	12	-	4,548
Net Book Value at 31 March 2021	8,797	927	36	272	10,032
Net Book Value at 31 March 2020	8,847	373	46	1,025	10,291

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

	2021	2020
	£'000	£'000
Long leasehold	8,797	8,847
	8,797	8,847

Note 15: Properties for Sale

Group and Association

	2020	2019
	£'000	£'000
Shared ownership properties:		
At 1st April 2020	52	1,132
Completed properties additions	(15)	920
Work in progress additions	-	-
Disposal	(37)	(2,000)
	-	52
Properties developed for outright sales	-	-
At 31st March 2021	-	52

Notes to the financial statements for the year ended 31 March 2021

Note 16: Debtors	**Group**	Group	**Association**	Association
	2021	2020	**2021**	2020
Due within one year	**£'000**	£'000	**£'000**	£'000
Rental and service charge arrears	3,154	2,387	3,154	2,387
Less: Provision for bad and doubtful debts	(716)	(783)	(716)	(783)
	2,438	1,604	2,438	1,604
Trade debtors	88	159	88	159
Amounts owed by group undertakings	-	-	-	-
Prepayments & accrued income	1,638	1,292	1,638	1,292
Social housing grant receivable	1,666	230	1,666	230
Other taxes and social security	565	237	548	222
Deposits on purchased schemes	151	-	151	-
Other debtors	10,697	13,896	10,697	13,896
Total due within one year	17,243	17,418	17,226	17,403
Due after more than one year	45,613	48,953	45,613	48,953
Total debtors	62,856	66,371	62,839	66,356

The debtor due after more than one year represents £45,613m (£48.953m in 2020) obligation to have improvement work carried out to the properties transferred to FCHO net of £10.317m (£13.456m in 2020) budgeted to be spent in 2021-22 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 21. The debtor will reduce as the Association completes the contracted work.

Notes to the financial statements for the year ended 31 March 2021

Note 17: Creditors - Amounts falling due within one year	Group	Group	Association	Association
	2021	2020	**2021**	2020
	£'000	£'000	**£'000**	£'000
Trade creditors	899	1,217	563	1,848
Social housing grant in advances	868	-	868	-
Rent & service charges received in advance	2,984	2,625	2,984	2,625
Amounts owed to group undertakings	-	-	742	399
Other taxation and social security	281	401	281	401
Oldham MBC - RTB Clawback	693	1,424	693	1,424
Accruals and deferred income	5,417	3,732	5,044	3,335
Deferred capital grant (note 19)	194	153	194	153
Disposal proceeds fund	2	2	2	2
Recycled capital grant fund (note 20)	1	1	1	1
Other creditors	1,136	1,365	376	698
	12,475	10,920	11,748	10,886

Other grants received in advance will be utilised against capital expenditure in 2021-22.

Notes to the financial statements for the year ended 31 March 2021

Note 18: Creditors - Amounts falling due after more than one year	**Group**	**Group**	**Association**	**Association**
	2021	2020	**2021**	2020
	£'000	£'000	**£'000**	£'000
Loan and borrowings facility	25,310	25,287	25,310	25,287
Less: payable within one year	-	-	-	-
Recycled Capital Grant (note 20)	216	226	216	226
Deferred Capital Grant	19,669	16,054	19,669	16,054
Other	9	4	9	4
	45,204	41,571	45,204	41,571

Analysis of maturity of debt - Group and Association

	2021	2020
	£'000	£'000
Housing loans repayable by instalments:		
In two years or more but less than five years	-	-
In five years or more	25,500	25,500
Total Loans	25,500	25,500

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 2021 the group had undrawn loan facilities of £45m (2020 - £69.5m).

Notes to the financial statements for the year ended 31 March 2021

Note 19: Deferred capital grant

Group and Association	Social Housing Grant	Other Government Grants	Total Grant 2021 £'000	Total Grant 2020 £'000
As at 1 April 2020	14,024	2,411	16,435	12,649
Grants received during the year	3,808	-	3,808	3,911
Net grant in relation to disposals	-	-	-	-
Released to income in the year	(134)	(28)	(162)	(125)
As at March 2021	17,698	2,383	20,081	16,435

	2021 £'000	2020 £'000
Amounts to be released within one year	197	156
Amounts to be released in more than one year	19,884	16,279
	20,081	16,435

Note 20: Recycled capital grant fund

Group and Association	2021 £'000	2020 £'000
As at 1 April 2020	226	117
Grants recycled from sale of Right to Acquire sales	108	108
Interest accrued	1	1
Recycling of grant:	-	-
New build	(119)	-
Major repairs and works to existing stock	-	-
Other	-	-
Repayment of grant to the HCA	-	-
As at March 2021	216	226

As at 31 March 2021, 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 2021

Note 21: Provision for liabilities and charges

Group and Association	2021 £'000	2020 £'000
Opening balance as at 1 April 2020	62,410	76,618
Less: Investment expenditure	(6,478)	(14,208)
Closing balance as at 31 March 2021	55,931	62,410

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

	Group 2021 £'000	Group 2020 £'000
Capital expenditure that has been contracted for but not been provided for in the financial statements	11,561	10,993
Capital expenditure that has been authorised by the Board but has not yet been contracted for	25,766	13,528

The above commitments will be financed primarily through borrowings (£32,325k), which are available for drawdown under existing loan arrangements, with the balance (£5,002k) 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:

	2021 £'000	2020 £'000
Land & Buildings		
Less than one year	14	13
Later than one year but not later than five years	-	-
In five years or more	-	-
Total	14	13
Other leases		
Less than one year	478	222
Later than one year but not later than five years	1,408	72
In five years or more	-	-
Total	1,886	294

Notes to the financial statements for the year ended 31 March 2021

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 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:

2020/21	Income	Expenditure	Debtors/(Creditors)
	£'000	£'000	£'000
New Living Homes Limited	524	(7,183)	(742)

The above transaction relates 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 £0.241m in the period ended 31 March 2021 (2020: £0.352).

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 £4,322 (2020: £4,273). There are no arrears on their tenancies at the reporting period end (2020: £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 2021

Note 26: Financial Instruments
The Group's and Association financial instruments may be analysed as follows:

Financial assets	**Group 2021 £'000**	**Group** 2020 £'000	**Association 2021 £'000**	**Association** 2020 £'000
Fixed assets measured at historical cost:				
- Trade receivables	88	159	88	159
- Other receivables due within one year	15,517	15,967	15,500	15,951
- Other receivables due after more than one year	45,613	48,953	45,613	48,953
- Investments in short term deposits	2,103	3,100	2,103	3,100
- Cash and cash equivalents	7,248	9,600	6,404	9,339
Total financial assets	70,569	77,779	69,708	77,502
Financial liabilities				
Financial liabilities measured at amortised cost:				
- Loans payable	25,310	25,287	25,310	25,287
Financial liabilities measured at historical cost:				
- Trade creditors	899	1,217	563	1,848
- Other creditors due within one year	11,576	9,703	11,185	9,039
- Other creditors after more than one year	19,894	16,285	19,894	16,285
Total financial liabilities	57,679	52,492	56,952	52,459

Note 27: Net debt reconciliation

Group and Association

	As at 1 April 2020 £'000	**Cash flows £'000**	**Other non-cash changes £'000**	**As at 31 March 2021 £'000**
Cash at bank and in hand	9,600	(2,352)	-	7,248
Investments in short term deposits	3,100	(997)	-	2,103
Bank Loans	(25,287)	-	(23)	(25,310)
Net Debt	(12,587)	(3,349)	(23)	(15,959)