firstchoice HOMES OLDHAM

REPORT AND FINANCIAL STATEMENTS

Year ended 31 March 2022

Contents

Non-Executive Directors, Executives and Advisors

Board of Directors

Ged Lucas (Board Chair)
Hilda Kaponda (Chair Governance and Remuneration Committee)
Philip Pearson
Mumtaz Ali
Ronnie Clawson (Chair of Audit and Risk Committee)
Amanda Harris
Jean Mira
Ron Smith
Emma Richman (Chair of Investment and Development Committee)
Charles Dunn
Margaret Goddard (Co-optee to Investment and Development Committee)

Newly appointed

Sabihah Khalil, 19 January 2022 (Trainee NED)

Executive Officers

Chief Executive

Donna Cezair

Chief Operations Officer

Emma Davison

Chief Finance Officer

Guy Johnson – resigned 16 July 2021

Tracy Woods – Appointed 2 August 2021

Group Company Secretary

Juliet Craven

Registered Office

First Place
22 Union Street
Oldham
OL1 1BE

Registered Number

Registered Co-operative and Community Benefit Society number 31138R

Registered by the Homes and Communities Agency number 4582

Bankers

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

Solicitors

Towers and Hamlin
Heron House
Albert Square
Manchester
M2 5HD

Internal Auditors

BDO LLP
6th Floor
3 Hardman Street
Manchester
M3 3AT

Auditor

Crowe U.K. LLP
3rd Floor
The Lexicon
Mount Street
Manchester
M2 5NT

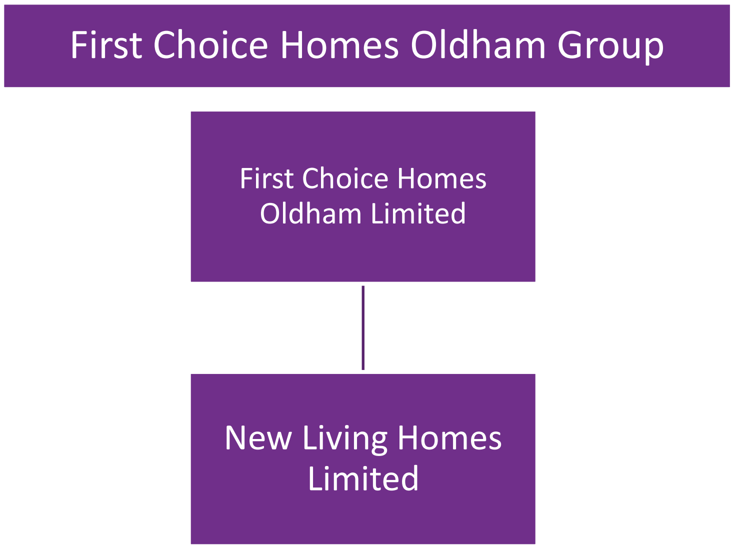
Strategic Report

First Choice Homes Oldham's (FCHO's) Group Structure

The objective of FCHO's governance structure is to remain simple and provide a clear line of sight from the Board to FCHO's active subsidiary, New Living Homes Limited (NLH). The Subsidiary Board members are drawn from group Board. This approach provides the best overview of risks and ensures that the activities carried out by the subsidiary supports FCHO's corporate objectives.

The group is known as FCHO and consists of:

- First Choice Homes Oldham Limited – the asset holding Housing Association and is the group parent. It is a registered co-operative and Community Benefit Society and Registered Provider of Social Housing with the Regulator of Social Housing (RSH).
- New Living Homes Limited – A wholly owned company limited by shares. NLH became active October 2016, and provides development services, delivering development contracts to FCHO.



FCHO provides homes for general needs social rent, affordable rent and low-cost home ownership throughout Oldham and the surrounding areas. FCHO also provides an in-house repairs and maintenance service to customers, alongside a comprehensive investment programme with the use of specialist contractors. The income received from rents supports this investment in existing properties as well as supporting the interest payments on loans which are financing the delivery of new homes within Oldham and surrounding areas.

FCHO needs to generate sufficient surpluses to maintain reserves to ensure continued financial resilience, being able to withstand financial shocks whilst also continuing to reinvest in existing homes and deliver its corporate priorities.

Regulation

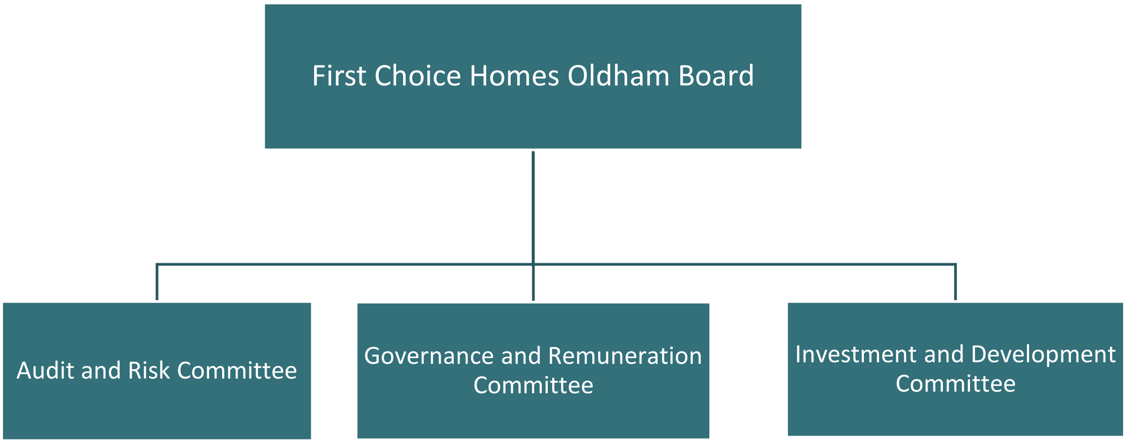
FCHO is regulated by the RSH and maintains the highest grades available for financial viability (V1) and governance (G1).

Board and Committee Structure

FCHO Board and sub-committees are crucial to setting the strategic direction of the organisation and monitoring performance. Board and Committee membership is based on skills and knowledge. In line with adopted National Housing Federation Model Rules, Board review annually their effectiveness and skills as a group. The Standing Orders include the Terms of Reference for Board and committees that outline the roles and responsibilities of each.

Customer voice

The customer voice is heard at Board and committees, with two resident Board members able to provide first hand personal experience of FCHO homes and services. FCHO also has a Customer Voice Panel (CVP) with regular attendance of circa 70 residents, providing further first hand feedback to be acted upon.



Three committees support the work of the Board, with them having the delegated authority to conduct business and make decisions on behalf of the Board, enabling it to operate at a strategic level whilst still maintaining oversight of key areas.

- Audit and Risk Committee - provides an assurance function of risk management and internal controls. The Committee is supported by both internal and external auditors. Internal auditors identify areas for action and improvement which are agreed with improvement plans and then followed up to provide assurance that the actions have been delivered.
- Investment and Development Committee – responsible for approving new development schemes within the parameters of the Board approved Development Plan which is set and approved annually by Board. The Committee also provides challenge and oversight of FCHO investment programmes, alongside delivering sustainability plans and moving towards zero carbon targets.
- Governance and Remuneration Committee – makes recommendations on governance matters, Board membership, Board and colleague remuneration and pensions. The Committee also provides oversight and challenge on all governance matters, as well as shaping and guiding the culture of the business and all matters pertaining to its people.

Purpose – Homes we are Proud of

FCHO's Purpose is the reason that the organisation exists. It sits at the core of everything FCHO does and everything it wants to be, it drives decisions and actions. FCHO's Purpose is to deliver 'Homes we are proud of'.

FCHO at its heart is a landlord, and in delivering landlord services FCHO wants to be proud of every home managed and developed. To achieve this ambition, FCHO needs to ensure that it is proud of every call handled, every repair carried out, every investment made, and every transaction or process implemented. Every person working within FCHO, is charged with finding ways to take pride in the work they do, so that, collectively, FCHO will reach its purpose. In order to achieve this Purpose, FCHO has devised a three-year Corporate Plan to connect all parts of the business, so that every action taken will combine together to deliver set goals.

As a Housing Association with charitable aims, everything FCHO does goes into improving communities where they work, whether that be through building new properties; assisting customers to get the best service or support that they need; investing in current stock or finding ways to make the public realm as attractive and tidy as possible on estates FCHO operates in.

Vision – Improving Lives

FCHO's Vision is what makes it more than just a Landlord. FCHO sees itself as an "anchor" organisation in Oldham; i.e. having a significant stake in the local area. Circa 10% of the population in Oldham live in a FCHO property, FCHO makes a significant contribution as a local business and a local employer. By providing crucial services to customers to help them deal with a wide range of issues, including; finding routes in to work or training or assisting with ways to cope with the increasing demands on their finances and overall, supporting them to remain happy and independent at home.

FCHO's aspiration and Vision of Improving Lives is all about working with customers to support them to get the most out of their lives, underpinned by living in a safe and comfortable home, in a neighbourhood that provides what they want from their local environment.

Corporate Plan

The Corporate Plan for FCHO is also known as the Big Plan. The Plan sets out themes for each of the three years of implementation between 2022 and 2025.

Year One is all about “Being brilliant at the basics”- this is where FCHO will create space to pause and take breath, evaluating the current position of the organisation. This is about making sure FCHO is focused on the right things i.e. the things that matter to customers, and that targets, resources and projects are all aligned to achieve the required impact. During this first year of the Plan, FCHO will review the Target Operating Model and consider how structures can best work together.

FCHO will work with partners to tackle the housing crisis in the Northwest, finding ways to contribute to reducing levels of homelessness, and raising the standards of accommodation across all sectors.

Year Two is about “Innovating to improve” – this is where FCHO will build on the foundations set in Year One and continue to find ways to keep improving, increasing the efficiency of how things are done. FCHO will continue to look for ways to be more effective; to better connect their systems and reduce waste through more streamlined processes. As systems become more integrated and seamless, this will enable people to have more agility and be able to serve customers more directly.

Year Three is about “Good to Great” - this is where FCHO will challenge itself to bring many projects and initiatives together in such a way as to really lift the whole performance and impact of the organisation and being able to evidence why customers and colleagues think FCHO is a “great” organisation. This is a move beyond just being “good” enough, really pushing the boundaries for success. As the culture at FCHO keeps evolving during the life of the Plan, FCHO will look to keep building resilience and ability to adapt and respond positively to the external environment.

Our Corporate Priorities

Great Services

Priorities for Great Services will:

- Ensure customer involvement is at the heart of everything FCHO does
- Understand, appreciate, and proactively respond to the diverse makeup of customers
- Work with customers on decisions that affect their homes and neighbourhoods
- Listen to and understand customers to improve the services they receive
- Use customer insight to effectively target our resources
- Provide digital services that are easy to use
- Offer a wide range of self-service options for customers to interact with FCHO
- Gather and act on customer feedback in order to continuously improve FCHO digital offering
- Ensure that we have the right structures and resources to deliver great services
- Automate tasks and processes to create efficiencies
- Ensure our internal service teams have a clear line of sight to our external customers
- Improve the customer’s experience of ordering and receiving repairs
- Improve the customer’s experience of moving into their new home
- Support customers to secure employment opportunities, through training, work placements and volunteering
- Support customers to live in an independent way
- Help customers to maximise their income and manage their financial standing.

Great Homes

Priorities for Great Homes will:

- Deliver integrated, place-based investment programmes with partners
- Ensure that homes meet the ‘FCHO Standard’ and replace or regenerate those that don’t
- Undertake an annual assessment of assets and find ways to secure their long-term viability
- Ensure that homes meet all the statutory, legal, and regulatory property safety requirements
- Deliver a comprehensive fire safety investment programme
- Develop a range of high quality, affordable housing products to meet local needs
- Deliver our Sustainability Strategy
- Deliver our plan for all existing homes to achieve energy performance certificate (EPC) level C
- Develop a plan for our homes to achieve net carbon zero
- Develop and implement a long-term strategy for the St Mary’s Energy Centre
- Develop a “right sizing” strategy to free up family homes.

Great Neighbourhoods

Priorities for Great Neighbourhoods will:

- ❖ Invest in community projects which deliver positive changes for customers
- ❖ Develop and deliver FCHO Neighbourhood Strategy
- ❖ Make communities greener and cleaner places to live by reducing waste, and promoting recycling and re-use schemes
- ❖ Use resources to create the most attractive and tidiest estates possible
- ❖ Work with a range of stakeholders to deliver impactful results within FCHO neighbourhoods
- ❖ Support thriving and resilient communities in partnership with customers
- ❖ Identify opportunities for social interactions within communities to reduce isolation and loneliness
- ❖ Reduce anti-social behaviour in neighbourhoods so that customers feel safe in their homes and the areas where they live.

Great Company

Priorities for Great Company will:

- ❖ Be an employer of choice and able to attract and retain talented colleagues
- ❖ Build and maintain a great reputation in the areas where we operate
- ❖ Create career pathways to enable colleagues to develop and achieve their ambitions
- ❖ Drive a culture that makes it easy for people to be different and diverse so that everyone feels comfortable
- ❖ Be financially strong and sustainable, with leverage to borrow; continued stock investment and continued progress towards zero carbon
- ❖ Maintain sufficient liquidity and financial strength at all times, providing headroom against FCHO golden rules to offer flexibility to support the Corporate Plan
- ❖ Embed a systemic risk-based approach to drive excellence in all our activities
- ❖ Achieve the highest levels of governance to ensure probity and compliance in all that we do.

Enablers

People

Nothing can happen without having the right people in place and on Board with what FCHO wants to achieve as an organisation. That's why FCHO recruits and retains colleagues who share the values and aspirations of FCHO. FCHO will support, nurture and develop those colleagues to provide an inclusive and dynamic company, where people want to work.

Finances

FCHO will ensure that the organisation is financially secure and well managed, so that ambitions can be achieved in a sustainable way that adds value for current and future customers.

IT and Systems

With a variety of legacy systems to connect and integrate, FCHO will find ways to improve how data is collated, stored and manipulated to equip colleagues with the information and insight to better provide services. FCHO will ensure that both customers and colleagues can more easily connect and engage with the business.

Projects

A programme of projects will form the backbone of change and transformation work in a way that connects all efforts to deliver the corporate plan goals.

Partners

Working with a range of partners, enables FCHO to extend its reach and impact in terms of how support and assistance is offered to customers and communities. This will enable FCHO to realise its wider ambitions as a developer and an anchor organisation, that shapes and influences place making activities.

Goals

FCHO has ambitious plans for the future, and over a three-year time horizon have set some big challenges. These goals are intended to push FCHO to reach new levels of service delivery, which focuses on customers' requirements alongside delivering homes and neighbourhoods all are truly proud of.

There are firm foundations of investment and service delivery to build on, but the focus will be on pushing to be more than just a landlord. Releasing the potential to contribute to the future economic growth and prosperity of the local region, through activities as an anchor organisation, this will be maximised and fully exploited.

The goals identified below will be measured on an ongoing basis and at the end of March 2025 to evidence progress. All team and individual targets over the next three years will be aligned to the goals set and will be measured through Key Performance Indicators (KPIs), Operational Performance Indicators (OPIs) and individual targets.

FCHO's Strategic Risk Register and Project Plans will also provide the relevant frameworks to support FCHO endeavours and ensure that obligations and ambitions are met in ways that are safe, sustainable and create a lasting and positive legacy.

By March 2025:

We will have:

- Customer satisfaction at 90% or higher
- Eight out of 10 customers telling us they trust us
- Eight out of 10 customers saying they love their neighbourhood
- 66% of existing homes at a minimum of EPC Level C
- Completed 750 new affordable homes
- Built all new homes to EPC Level B or above and will be 'off gas' – 100%
- Achieved "Platinum" accreditation in the annual SHIFT sustainability assessment
- Achieved Best Companies "3 Star" accreditation
- Reinvested at least £65M back into the business

2021/22 Summary

2021/22 has been a successful year for FCHO, with the delivery of a range of achievements across its key strategic priorities following a challenging period that has been presented as a result of Covid 19 and the emergence from the pandemic. Despite the challenges, FCHO remains financially strong and stable, providing a platform from which a new Corporate Plan 2022-2025 has been devised and agreed. Throughout the pandemic and since, FCHO has risen to the challenge of providing services to customers by adopting more flexible, creative, and intuitive ways of working. It is this flexibility and innovation that will be built on throughout the Corporate Plan 2022-2025, to keep improving what and how FCHO delivers for its customers.

FCHO is committed to the delivery of 'Great Services' and 'Great Homes', recognising its role as more than just a landlord. Central to its strategic objective to achieve 'Great Neighbourhoods' 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 180 sustained employment outcomes were achieved, which was a significant success in a very challenging employment market. FCHO also helped customers to collectively save over £306k through access to 'The Bread and Butter Thing', which provides food and essential household items to customers at a much reduced cost.

A key strategic objective (Great Homes) is to deliver new homes. As at March 2022 there were 538 new homes on site or completed since the start of the Development Programme. A further 562 units are planned by March 2026. A key feature of 2021/22 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.

By adopting more flexible ways of working and interacting with both customers and colleagues, FCHO has increased levels of engagement as evidenced through attaining a one star ("Good organisation to work for") in a Best Companies survey, and regular attendance of circa 70 residents at the Customer Voice Panel (CVP).

During the year, there were continuing periods of challenge as a result of Covid 19 which led to some disruption in maintenance programmes and operations. Despite this, over £26m was still spent investing in properties and ensuring compliance. Even with periods of 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
£50.3 million	11,361
Customer Satisfaction	Gearing
79%	11.4%
New Units Developed	Income Collection
84	99.5%
Void Loss %	Reinvestment %
0.71%	15.3%

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 2.6% and a mean Gender Pay Gap of 6.4% both of which reflect that female are slightly better rewarded than male counterparts in the organisation. (https://www.fcho.co.uk/about-us/company-information)

Ethnicity Pay Gap

Although there is no legal requirement to publish it, the latest data for the UK median was published in 2019 when the gap was 2.3% (white British earning more) down from 8.4% in 2014.

An Ethnicity Pay Gap is the percentage difference between the average pay of White British and 'all other ethnic groups combined' employees. The FCHO Ethnicity Pay Gap statement says that 15% of colleagues are from an ethnic group. The median Pay Gap is negative 1.93% meaning middle pay rate from 'all other ethnic groups combined' exceeds the middle pay rate from white colleagues. The mean Pay Gap is also negative 0.79% meaning average pay of 'all other ethnic groups combined' colleagues exceed that of white colleagues although not by a significant amount.

Value for Money (VFM)

FCHO's 30 Year Business Plan and objectives are reviewed annually. VFM is integral to achieving these objectives and FCHO regularly reviews its approach to VFM to support this. A proactive approach to identifying efficiencies and driving them through all parts of the organisation will form a key part of the focus for the 2022-25 Corporate Plan. Board reviews and challenges VFM performance against the RSH VFM metrics at the time of setting annual budgets, the annual 30 Year Business Plan, alongside receiving in year updates at half year and full year to assess current performance.

FCHO monitors its own trends in VFM performance as well as using 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 for 2021/22 and the future targets. FCHO's metrics are provided in the table below which compares its financial performance with the RSH 2020/21 Global Accounts for all housing providers and also large-Scale Voluntary Transfer (LSVT) organisations, 7-12 years from transfer within the North-West.

Our comparator organisations from RSH 2020/21 Global Accounts are:

Bolton at Home Limited

One Manchester Limited

Rochdale Boroughwide Housing Limited

South Lakes Housing

		FCHO Data							
	VFM Metric	**2019/20 Actual**	**2020/21 Actual**	**2021/22 Actual**	**2022/23 Budget**	**2023/24 Target**	**2024/25 Target**	**FCHO 2020/21 Performance Global Accounts (Median)**	**FCHO 2020/21 Performance All North-West LSVT 7-12 Years (Weighted Average)**
1	**Reinvestment %**	14.5%	15.2%	15.3%	16.5%	21.8%	13.6%	**Higher (5.8%)**	**Higher** (11.9%)
2a	**New supply delivered % (Social Housing)**	1.6%	0.7%	0.8%	0.8%	2.1%	1.2%	**Lower (1.3%)**	**Higher (0.5%)**
2b	**New supply delivered % (Non Social Housing)**	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	**0.0%**	**0.0%**
3	**Gearing**	10.7%	10.9%	11.4%	13.3%	22.6%	24.7%	**Lower (43.9%)**	**Lower (24.9%)**
4	**EBITDA MRI %**	243.1%	490.0%	140.5%	159.8%	94.2%	153.7%	**Lower (183.0%)**	**Lower (236.0%)**
5	**Headline social housing cost per unit (£)**	£3,562	£3,125	£4,014	£4,123	£4,369	£4,415	**Higher (£3,730)**	**Higher (£3,560)**
6a	**Operating margin social housing lettings %**	18.20%	26.70%	13.1%	17.7%	21.2%	22.8%	**Lower (26.3%)**	**Lower (23.4%)**
6b	**Operating margin overall %**	15.90%	26.80%	14.0%	18.0%	21.7%	23.7%	**Lower (23.9%)**	**Lower** (19.3%)
7	**Return on capital employed**	4.4%	6.2%	4.2%	5.4%	6.1%	6.0%	**Higher (3.3%)**	**Lower (5.1%)**

Please note, the only sector wide comparison available are from RSH 2020/21 and therefore do not include an additional year of inflationary cost increases when comparing to 2021/22.

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

- Historic rates of reinvestment suggest high levels of re-investment in stock, the higher percentages are impacted to an extent by the historic low cost of properties held, particularly in comparison to the whole sector. The rate of reinvestment was marginally lower in 2019/20 as a result of significant levels of environmental works (non-capital) undertaken during the year.
- Current rates remain higher than all providers and comparator group 2021/22 and marginally higher than 2020/21 as a result of increased investment and development expenditure at £28.7m (2020/21 £25.1m). Capitalised Investment works have also increased in 2021/22 compared to 2020/21 (by c£1.0m), to an extent a result of catch up works from previous years due to Covid-19 and the beginning of expenditure within the Sustainability budget. Additional development expenditure has been assisted by 37 more units starting on site during the year compared to 2020/21.
- The outlook for 2022/23 and future years remains elevated as a result of increased investment and development activity with a combined budgeted expenditure of £35.3m for 2022/23 and continued provision within the Business Plan for future years. c80% of stock has undergone a stock condition survey within the past two years which will continue to feed into investment decisions for future Business Plans. Additional Fire Risk Assessment works are also due to impact the metrics over the coming years, although a high proportion of works are non-capital in nature this is not the case for all Fire Risk Assessment components.
- The target reinvestment metric is also higher in 2023/24 as a result of continued capitalised investment expenditure, alongside higher levels of anticipated development expenditure (c£40.4m). The metric is targeted to reduce in 2024/25 as a result of an increasing asset base alongside reductions in planned development expenditure (c£23.9m) compared to 2023/24.

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

- New Supply figures (in comparison to 2019/20) appear to be on a downward trend, this is somewhat misleading as a higher number of units were delivered during 2019/20 as a result completing units on sites which were less complex to deliver and/or on FCHO owned land. This somewhat inflated the 2019/20 units delivered. In contrast, 2020/21 was originally targeted to deliver a lower number of units compared to the previous year, but this was further exacerbated by Covid-19 and the closure of sites throughout the various lockdowns. This further depressed the figure for 2020/21.
- The current metric is lower than all providers but higher than FCHO peer group at 0.8% for 2021/22. New Supply Delivered has marginally increased in 2021/22 (93 units) in comparison to 2020/21 (87 units). This metric is forecast to improve in future years, aided by an increasing number of development units delivered.
- The outlook for 2022/23 has remained consistent with 2021/22, at 0.8%, as a result of similar planned completed units (90 units). In the future, New Supply Delivered is targeted to increase further in alignment with the Development Programme with increased new units, 2023/24 is targeted at 2.2% (259 units) and 2024/25 projected at 1.44% (151 units).

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

- In common with other stock transfer organisations, the focus in the earlier years post transfer has been on delivery of investment promises made at the point of transfer. As a result there has been lower focus in prior years on development activity for which a loan facility would be required for FHCO. In addition, the development programme embarked upon in 2018 has not seen the scale that had originally been anticipated and therefore levels of borrowings have historically been lower than comparators.
- Gearing has marginally increased during 2021/22, at 11.4%, as cash surpluses were utilised (reducing assets) to fund the development and investment programmes. FCHO demonstrates ability for further borrowings against its peers remaining significantly below the median against provided and below the weighted average for FCHO comparator group. This provides a strong financial base to support the delivery of the Development and Asset Management Programmes in future years.
- Gearing is anticipated to increase during 2022/23, as borrowing from existing loan facility is anticipated to fund current development schemes. Gearing is still targeted to remain in a healthy position throughout, anticipated at 24.7% 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).*

- Historical EBITDA MRI performance has been within the upper quartiles as a result of higher operating surpluses against low borrowings/interest costs. This was particularly evident in 2020/21, where the metric was unusually higher as a result of lower investment expenditure than budgeted, as a result of reduced activity throughout the Covid-19 pandemic.

- The 2021/22 metric has decreased sharply to 140.5% in comparison to 2020/21, this is as a result of:
  - An increase in levels of activity within the areas of Property Care (repairs) and Investment expenditure in addition to a significantly higher FR102 Pension adjustment of £1.8m in comparison to 2020/21 (£0.7m) which adversely impacts the metric; and
  - A £2.1m provision to cover fire remediation works on a number of existing low rise blocks. As a result of ongoing Fire Risk Assessment works on low rise blocks, a number of properties where works had previously been carried out, have been found to be defective. Works will be carried out throughout 2022/23 to address these deficiencies.

- The current metric is lower than both the median for all providers and the weighted average for FCHO comparator group. Work is ongoing to ensure that EBITDA-MRI performance and projections improve in future years with an organisational wide efficiency programme in progress to improve operating surpluses and ensure VFM within all investment works and other key areas of expenditure.
- EBITDA MRI is expected to increase in 2022/23 (160%) and then reduce in 2023/24 (94%), largely as a result of higher management costs alongside planned increases in loan drawings to fund the remainder of the Development Programme. EBITDA MRI is targeted to increase in 2024/25 as a result of higher operating margins resulting from existing VFM strategy implementation and efficiency savings targets. Further work is ongoing to implement additional VFM savings to improve the current and future performance of EBITDA-MRI.

Headline Social Housing Cost (HSHC) for 2021/22 has increased at £4,014 in comparison to 2020/21 (£3,125), this is predominantly due to increased expenditure on properties in relation to repairs, voids and compliance works, including a range of fire safety and remediation works. It also includes a significantly higher FR102 Pension adjustment for service costs of £1.2m in comparison to 2020/21 (£0.3m) within Management costs.

- HSHC have historically been lower as a result of lower management costs and lower capitalised major repairs which have both increased in recent years, to improve frontline services offered along with higher investment expenditure resulting from improved stock condition data. 2020/21 is an outlier within the data set, as a result of Covid-19 a number of investment and management activities could not take place within the year, which has been caught up in 2021/22 leading to a large increase from prior year. The additional year of inflation should also be considered when comparing the benchmarking data from 2020/21 against actual 2021/22 results.
- HSHC is anticipated to be higher for 2022/23, at £4,123. The budget for 2022/23 has been set based on the level of increased spend seen in 2020/21 and the sector-wide increases in costs in the areas of repairs and maintenance. Spend is also beginning on FCHO sustainability programmes, to meet FCHO target to achieve EPC C on all homes by 2030. The wider 2022/23 Investment programme continues to ensure FCHO meets its regulatory and strategic objectives, continuing to provide safe and decent homes for customers.

- The overall headline cost per unit is higher in comparison to both the median for all providers and weighted average of FCHO comparator group. It is anticipated that future years will stabilise with the direction of travel from 2022/23 (£4,123) through to 2024/25 (£4,415), this is assisted by current VFM savings (included in Management Costs) within the 2022 Financial Plan. During the year a refinancing exercise was undertaken a completed in May 2022, taking advantage of competitive market conditions and delivering ongoing cost savings in current and future borrowings. The budget for 2022/23 includes a number of additional roles whose focus is on improving the services offered, these roles have been recruited on temporary contracts to provide the organisation flexibility in the management of ongoing and future costs. Further work is ongoing to deliver further future savings above those already identified.

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)*

- Historic operating margins have ranged from an overall figure of 16% (2019/20) to 27% (2020/21), however both of these results have been impacted by two separate and significant events. In 2019/20 a significant write-off of development costs (£1.1m) impacted the margin and in 2020/21 the impact of Covid-19 curtailed expenditure improving surpluses and margins.
- For 2021/22, operating margin has decreased to 14.0% in comparison to 2020/21 (26.8%). This largely takes into account the increases in repairs and maintenance costs as well as further investment in compliance works (Fire Risk Assessment Works), along with a significantly higher FRS102 Pension adjustment. This figure has been further depressed as a result of the £2.1m fire risk remediation works provision required.

- Operating margins are expected to be c18% in 2022/23, and then improve in future years to 23% in 2024/25, helped by the impact of the assumed CPI+1% (CPI+1% not assumed for 2023/24) rent increases and planned VFM savings within the 2022 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 considered when reviewing results.

- The result for 2021/22 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 aligned to the VFM Strategy:

- Annual Budget and Business Planning will identify any future cost savings and will include VFM efficiency targets. For 2023/24 onwards £700k p.a. has been included within the Financial Plan and will be achieved through a mixture of:
  - Operating model review and improvements to drive efficiencies
  - Investment in Procurement Team and the roll out of a Procurement Strategy to achieve VFM in all procurement
  - Annual update and assessment of VFM strategy and benefits realisation
  - Asset Performance Evaluation tool to focus on driving the best value out of resources available
  - Focus on Social Value on all larger contracts to drive additional value out of FCHO activities
  - Focus on 'self-service' for customers interactions
  - Comprehensive training programme to ensure colleagues are actively involved in VFM as they are often best placed to identify where efficiencies can be made
  - VFM tracker to monitor benefits, for both financial and non-financial benefits.
  - Undertaking service reviews to ensure ongoing VFM is being delivered.

Risk and Assurance

The state of the economy and external environment, including aftereffects of the pandemic, Brexit, rising energy costs and the Ukraine war continue to be among the risks faced by FCHO. The Board and Executive Team continue to monitor the ongoing effects of all of them.

Steps are being taken, on an ongoing basis, to minimise the impact on FCHO activities and the effect this may have on the organisation's residents and stakeholders. Infrastructure and processes are in place to allow flexible hybrid working for colleagues so that they can work remotely when relevant to do so.

Each risk within the Strategic Risk Register is regularly analysed and prioritised in terms of likelihood and severity and inherent risk. The Register identifies the existing controls and mitigations and further ones in development for each 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. This year, the Risk Appetite Statement has been revised and the appetites within it reviewed and aligned to the Strategic Risk Register to give a holistic picture of the Strategic Risks for Board consideration and sign off.

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. It is regularly reviewed to ensure that the Strategic Risks are still relevant for the organisation.

The Assurance Matrix, based on a three lines of defence model, is linked to internal audits and external scrutiny and is also updated quarterly. A Risk Management Policy was approved by the Board on 26 May 2021.

Operational Risk Registers are part of the overall Risk Management Framework and underpin the Key Strategic Risks for all key parts of the business Board. The Audit and Risk Committee also have sight of these at each of their meetings.

The key risks are detailed below along with lead Board or Committee and key mitigation and controls.

Risk	Mitigation and Controls
1. Customer services and service delivery. Failure to deliver quality customer services. **Board**	• Customer Voice Panel. • Neighbourhood Plans. • Consumer standards self-assessment and action plan. • Internal Audit reports. • Monthly performance reports • KPIs/OPIs (Strategic and Operational). • Touchpoint satisfaction surveys • Complaints action plan/lessons learnt • Customer service training for all complaints champions and Heads of Service. • Customer Voice Panel linked with Board.
2. Asset management. Failure to implement an Active Asset Management approach resulting in unsustainable assets. **Investment and Development Committee**	• Reports to Board and I&D Committee. • Asset Management Strategy. • Sustainability Strategy, action plans and new technology pilots • Internal Audit reports. • KPIs. • Five-year volume procurement approach in place. • Cyclical maintenance plans in place. • Asset Performance Evaluation Tool implemented. • Portfolio analysis produced providing detail on EPC C and net zero actions / costs. • Interventions to address poor performing assets.
3. Strategic delivery and partnership. Unable to deliver strategy through ineffective or lack of partnerships. **Board**	• Key Account Management Strategy. • Clearly defined roles and responsibilities. • Brand and reputation. • Partnership matrix reported to Board with six monthly review in place. • Membership of key stakeholder groups e.g. Health & Wellbeing Board, Public Sector Reform Board etc. • Common Allocation Framework in place. • Business Plan aligned with Asset Management and Development Strategies. • Regular meetings held with councillors. • Corporate Plan approved by Board, 23 March 2022.
4. New homes development and acquisition. Failure to achieve Development Strategy growth ambitions. **Investment and Development Committee**	• Development Strategy. • Regular HE Updates. • LA and GMHP quarter returns. • Development reports. • Pipeline Tracker and Watchlist. • I&D Committee reports to closely monitor progress. • Marketing and social media campaigns. • Financial Assumptions and Development Delegation Framework, Board 24 November 2021. • Land Banking Policy, I&D Committee, 6 December 2021. • Enhanced procurement processes and supply chain management with additional due diligence.

Risk	Mitigation and Controls
5. Compliance (Legal, Financial and Regulatory). Ineffective control framework leading to legal, financial or regulatory consequences. **Board**	• 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. • Reports to Board and Audit and Risk Committee. • Internal and External Audits. • Audit action tracking. • Procurement Policies and Procedures. • Revised Financial Regulations agreed, 24 March 2021. • Team awareness sessions across business to embed Policy and Procedures. • Skillgate training (e-learning tool) • Finance and Procurement Operational Risk Register. • Governance Review, G&R Committee 3 December 2021. • Revised SRR, Board 24 November 2021.
6. Health and safety (Landlord). Failure to meet our compliance responsibilities as a landlord. **Investment and Development Committee**	• Data held in Northgate and monitored. • Monthly Reporting through Pentana. • Monthly reporting to Leadership Performance meeting. • Quarterly reporting to Health and Safety group. • Internal and External Inspections and Quality Assurance checks. • Annual NICEIC inspection. • Specialist contractors appointed • External Fire safety review, May 2020 and gas safety review Dec 2020 (Pennington Choices). • Internal Audit programme. • Inspection framework. • Compliance Dashboard implemented.
7. Health and safety (Employer). Failure to meet our health and safety responsibilities as an employer. **Governance and Remuneration Committee / Board**	• Competent H&S Advisors and Wellbeing Champions. • H&S Policy, procedures, and risk assessments. • Monthly reporting to Leadership Performance meeting • Occupational Health Provider. • Annual health surveillance. • Mandatory H&S training for all stakeholders. • Strategic H&S Group. • Safety Management System. • IOSH Managing and Leading safely completed. • Timely RIDDOR notification • L and D system. • Annual home working risk assessment and audit. • Mandatory training records. • Internal Audit programme • Governance reporting. • Covid response process. • Chair of I&D, Vice Chair of NHF Building Safety Committee. • H&S Group / Committee TOR and function review completed. • Health, Safety and Wellbeing Policy, Board 23 March 2022.

Risk	Mitigation and Controls
8. Income risk. Not maximising income opportunities and not prepared for possible effects of government restrictions. **Board**	• Income Collection processes. • Service Charge methodology review Q3 2021/22 • Directions' service. • Community Impact service. • Accurate RTB loss forecast. • Accurate development pipeline forecast. • Rent review 2022/23 approved by Board, 24 January 2022. • Stress testing and mitigation planning. • Service charges review 2022/23 implemented and actioned. • Business Plan and stress testing development session held with Board, 23 March 2022. • Maximisation of crisis payments through OMBC
9. Workforce (HR, recruitment, training etc.) Not delivering effectively on the People Strategy. **Governance and Remuneration Committee**	• G&R Committee reports. • Comprehensive review of pay & reward and Terms & Conditions to ensure an attractive offer to colleagues • Exit interviews. • Wellbeing initiatives. • Regular Colleague Survey (Best Companies). • Our Voice – colleague consultative forum. • Whistleblowing Policy in place and communicated • Annual Colleague Conference. • Colleague Survey action planning complete and published on Hub. • Leadership Development Programme commenced with Directors and Heads of Service, March 2022. • Behavioural Framework developed with Colleagues and implemented Apr 22
10. ICT Security Ineffective IT security and resilience leading to a data breach or critical systems being unavailable. **Audit and Risk Committee**	• 24x7x365 managed and monitored infrastructure • Full DR resilience in place • Best of breed security systems • Remote tracking and Wipe of Laptops • Windows updates • Cyber Essentials Plus Security certification. • Penetration testing • ICT Security & Acceptable Use Policy • Rolling 'all colleague' testing and Training on information and cyber security and phishing • Supplier Security accreditation. • Revised GDPR policy and mandatory colleague and Board Training. • Business Continuity Plan (BCP) actively tested this year. • Secure USB drive access and control mechanism in place.
11. Data Integrity. Holding inaccurate and subquality data. **Audit and Risk Committee**	**Customer** • Warning reporting system set up for the Data Warehouse – Power BI (frequency agreed with internal customers). **Asset** • Data reconciliations within the Data Warehouse – Power BI, frequency set by internal customers to ensure multiple systems retain the same information. • Reports available to show exceptions on Void data. **Finance** • KPI data tested monthly via data warehouse/ power BI or requesting source data validation. • Daily checks conducted by BI on Data Warehouse refresh and the performance of automated processes. • Asset Performance Evaluation Tool in place. • Automate data warehouse testing.

Risk	Mitigation and Controls
12. Equality, Diversity and Inclusion. Failure to meet or exceed business and legal obligations under EDI. **Governance and Remuneration Committee**	• EDI training. • EDI Strategy and action plans. • NED EDI Champion and CEO Sponsor. • Calendar of EDI events and communications. • Proactively encourage inclusive recruitment and succession. • Language translation facility on Web Site. • NED Statement of Preferred Composition with targets that reflect local diversity data, Board 24 November 2021. • EDI Diversity champions identified.
13. Financial Consequences Ineffective financial planning and/or Treasury Management. **Board**	• Annual mitigation action planning. • Horizon planning and monitoring of sector issues. • Revised Financial Regulations and Delegation Framework, Board, March 2021. • Financial plan and stress testing for 2021, Board 26 May 2021. • Business Plan and stress testing development session held with Board, 23 March 2022. • Treasury Strategy approved, Board 26 May 2021. • Annual unqualified external audit. • Annual Business Plan assumptions reviewed and approved by Board. • Refinancing Heads of Terms approved, Board 23 March 2022
14. Climate Change. Failure to prepare for meeting net zero carbon and consequences of climate change. **Investment and Development Committee**	• Sustainability Working Group with Board 'lead' representative. • Sustainability Strategy, Development Strategy and Asset Management Strategies in place. • Sustainability Manager. • Business Plan provision. • GMHP / OMBC partnerships supporting best practice and joint bidding. • Climate Jury project in place linked to customer engagement. • West Vale consultation groups. • Baseline EPC analysis completed using latest SCS data. • SHIFT Silver Accreditation achieved • Successful external funding bids. • Develop and apply FCHO standard in place. • Carbon Literacy training for colleagues and Board

Financial Performance of the Year Ended March 2022

The financial performance for the past two financial years is presented below, the turnover for 2021/22 was £50.3m with an operating surplus of £10.1m. FCHO made a surplus for the year of £7.7m after taxation. This included a surplus from the sale of housing properties in 2022 of £3.0m (2021: £1.4m).

Total group operating costs were £43.2m (2021: £35.9m). There has been an increase in operating expenditure during the year, largely due to an increase in social lettings expenditure on properties based on decisions to invest more during the year. This includes increased expenditure on repairs linked to increased demand, increased investment in voids properties to bring back into use at an improved re-let standard and investment in compliance programmes and fire remedial works.

The total expenditure on repairs and maintenance was £29.6m (2021: £22.2m). Of this amount, there was £9.9m (2021: £9.4m) relating to improvements which has been added to housing fixed assets with the remaining work expensed through the Income Statement.

Net turnover from lettings increased by £1.3m to £50.3m (2021: £49.0m) which is mainly due to the rent increase of 1.5% on social lettings. During the year income collection results have remained strong, with collection rates at 99.53% versus a budget of 99.2%.

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.

The accounting policies applied are shown on pages 36 to 42.

Consolidation	**2022 £'000**	**2021 £'000**
Income & expenditure account		
Turnover	50,262	49,021
Operating costs	(43,219)	(35,890)
Surplus on disposal of fixed assets	3,035	1,409
Operating surplus	10,079	14,541
Surplus for the year after taxation	7,691	12,466
Total comprehensive (loss)/income for year	23,762	(1,106)
Balance Sheet		
Housing properties net of depreciation	186,971	165,573
Other tangible assets	9,795	10,032
Net current assets	42,804	59,732
	239,570	235,337
Creditors due after one year	49,046	45,204
Provisions - Pension Liability & VAT Shelter	62,707	86,078
Revenue Reserve	127,817	104,055
	239,570	235,337
Operational indicators		
Total housing stock	11,361	11,608
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	20%	30%

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 2022. 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 commence on refinancing FCHO current loan facilities. A new Head of Terms were agreed for a new updated £95m loan facility, this loan agreement was executed in May 2022.

Cash Flow and Liquidity

The net cash inflow from operating activities before interest costs was £10.1m. Bank balances and short-term investments were £4.2m 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 2022 showed that the company was compliant with all covenants

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 significant risk exposures 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 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 14 September 2022.

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 2022.

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 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, three FCHO non-executive directors and two FCHO officers. NLHs' Directors are registered as Company Directors with Companies House. NLH met to consider official duties on two occasions in 2021/22.

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.

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. 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 six scheduled occasions during 2021/22. In addition, a Board Away day was held 30 May 2022.

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.

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 2021/22
- Governance and Remuneration Committee – the Committee met to consider its official duties on five occasions during 2021/22
- Investment and Development Committee – the Committee met to consider its official duties on four occasions during 2021/22.

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 £80,681 (2020/21: £41,749) 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 2021/2022	**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	99.5%	£0	£296.52

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 2022.

This statement sets out the steps that FCHO have taken in the 2021/2022 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 2021 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.
- The Senior Management Team have developed directorate specific Internal Control Statements that feed inro the overall Control Statement and provide another level of assurance on internal controls.

- 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 where there are key financial risks identified within the year. This is supported by a comprehensive recovery planning framework.

- 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.

- From 2022/23 Internal Audit is provided by BDO 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 previous Internal Auditors, Mazars, 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.

- 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 2021/22, there were two instances of fraud; both reported to the Committee, 4 August 2021. One related to a phishing email acted upon by an employee and the second was an operative not fulfilling their contractual hours by closing jobs down incorrectly.

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 2021/22, there were no instances of whistleblowing.

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 2022, and for the period to the date of signing the financial statements.

Compliance with the National Housing Federation Code of Governance

FCHO adopted the National Housing Federation's 2020 Code of Governance (the Code) with effect from 1 April 2022. The Board considers compliance against each of the provisions of the Code on an annual basis. Following this review on 25 May 2022, 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.

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 met their viability requirements and had the financial capacity to deal with a variety of adverse scenarios. The latest Stability Check in December 2021, again reaffirmed the G1/V1 position.

FCHO's Board assesses its compliance against the Regulator's Governance and Financial Viability Standard annually. 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 25 May 2022 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.

In July 2022 FCHO was advised of IDA which would commence in August 2022.

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), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

Under the Co-operative and Community Benefit Society legislation, the Board must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs, and surplus or deficit. of the association and Group for that period.

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

Crowe LLP are FCHO's current external auditors. The Group Board appointed Crowe in November 2021 to provide FCHO's external audit service for a three-year contract period, with the option of an additional year commencing from the 2021/22 annual external audit.

The report of the Board of Directors was approved on 14 September 2022 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 First Choice Homes Oldham Limited

Opinion

We have audited the financial statements of First Choice Homes Oldham Limited (the "Parent Association") and its subsidiaries (the "Group") for the year ended 31 March 2022 which comprise the Consolidated and Association Statement of Comprehensive Income, the Consolidated and Association Statement of Financial Position, the consolidated and Association Statement of Changes in Reserves, the Consolidated Statement of Cash Flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and Parent Association's affairs as at 31 March 2022 and the Group and Parent Association's income or expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of 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 from January 2022.

Basis for opinion

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Board's 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 or Parent 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 is responsible for the other information contained within the annual report. 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 and we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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 in relation to which the Co-operative and Community Benefit Societies Act 2014 or the Housing and Regeneration Act 2008 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the group; or
- a satisfactory system of controls over transactions has not been maintained; or
- the 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's responsibilities statement set out on page 24, 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 determines 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 is responsible for assessing the Group's and Parent 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 intends to liquidate the Group or Parent 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.

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud and non-compliance with laws and regulations are set out below.

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.

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We identified and assessed the risks of material misstatement of the financial statements from irregularities, whether due to fraud or error, and discussed these between our audit team members. We then designed and performed audit procedures responsive to those risks, including obtaining audit evidence sufficient and appropriate to provide a basis for our opinion.

We obtained an understanding of the legal and regulatory frameworks within which the Group and Parent Association operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements such as the Co-operative and Community Benefit Societies Act 2014 (and related Directions and regulations), the Housing and Regeneration Act 2008 and other laws and regulations application to a registered social housing provider in England together with the Housing SORP, along with the Companies Act 2006 . We assessed the required compliance with these laws and regulations as part of our audit procedures on the related financial statements items.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which might be fundamental to the Group and Parent Association's ability to operate or to avoid a material penalty. We also considered the opportunities and incentives that may exist within the Group and Parent Association for fraud. The laws and regulations we considered in this context for the UK operations were requirements imposed by the Regulator of Social Housing, health and safety, taxation and employment legislation.

Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Group and Parent Association and other management and inspection of regulatory and legal correspondence, if any.

We identified the greatest risk of material impact on the financial statements from irregularities, including fraud, to be within the timing of recognition of income and the override of controls by management. Our audit procedures to respond to these risks included enquiries of management, internal audit and the Group Audit and Risk Committee about their own identification and assessment of the risks of irregularities, sample testing on the posting of journals, reviewing accounting estimates for biases, reviewing regulatory correspondence, designing audit procedures over the timing of income and reading minutes of meetings of those charged with governance.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

Use of our report

This report is made solely to the Parent Association's members as a body in accordance with the Co-operative and Community Benefit Societies Act 2014 and the Housing and Regeneration Act 2008. Our audit work has been undertaken so that we might state to the Parent 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 Parent Association and the Parent Association's members as a body, for our audit work, for this report, or for the opinions we have formed.

Crowe UK LLP

Crowe U.K. LLP
Statutory Auditor
The Lexicon
Mount Street
Manchester
M2 5NT

16th September 2022

Consolidated statement of comprehensive income

For the year ended 31 March 2022	Note:	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Turnover	2	50,262	49,021
Operating costs	2	(43,218)	(35,890)
Surplus on disposal of housing properties	2	3,035	1,409
Operating surplus		**10,079**	**14,540**
Interest receivable and similar income	7	12	15
Interest and financing costs	6	(2,399)	(2,089)
Surplus before taxation		**7,692**	**12,466**
Taxation on surplus	9	**-**	**-**
Surplus for the financial year after taxation		**7,691**	**12,466**
Other comprehensive income:			
Actuarial (losses)/gains on defined benefit pension scheme	12	16,071	(13,572)
Total comprehensive (loss)/income for year		**23,763**	**(1,106)**

The consolidated results relate wholly to continuing activities.

The accompanying notes on pages 36 to 64 form part of these financial statements.

Association statement of comprehensive income

For the year ended 31 March 2022	Note:	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Turnover	2	50,262	49,021
Operating costs	2	(43,211)	(35,882)
Surplus on disposal of housing properties	2	3,035	1,409
Operating surplus		**10,086**	**14,548**
Interest receivable and similar income	7	12	15
Interest and financing costs	6	(2,399)	(2,089)
Gift aid from subsidiary undertaking	9	131	241
Surplus before taxation		**7,830**	**12,715**
Taxation on surplus	9	-	-
Surplus for the financial year after taxation		**7,830**	**12,715**
Other comprehensive (loss)/income:			
Actuarial (losses)/gains on defined benefit pension scheme	12	16,071	(13,572)
Total comprehensive (loss)/income for year		**23,901**	**(857)**

The association's results relate to continuing operations.

The accompanying notes on pages 36 to 64 form part of these financial statements.

Consolidated and Association statement of financial position

For the year ended 31 March 2022	Note:	Group 2022	Group 2021	Association 2022	Association 2021
		£'000	£'000	£'000	£'000
Tangible Fixed assets					
Housing properties	13	186,971	165,573	187,898	166,339
Other fixed assets	14	9,795	10,032	9,795	10,032
		196,766	175,605	197,693	176,371
Current Assets					
Properties held for sale	15	1,360	-	1,360	-
Debtors - receivable within one year	16	20,023	17,243	19,946	17,226
Debtors - receivable after one year	16	32,812	45,613	32,812	45,613
Investments in short term deposits		100	2,103	100	2,103
Cash and cash equivalents		4,056	7,248	3,304	6,404
		58,351	72,207	57,521	71,346
Creditors: amounts falling due within one year	17	(15,547)	(12,475)	(14,875)	(11,748)
Net current assets		42,804	59,732	42,647	59,598
Total assets less current liabilities		239,570	235,337	240,339	235,968
Creditors: amounts falling due after more than one year	18	(49,046)	(45,204)	(49,046)	(45,204)
Provisions for liabilities and charges					
Other provisions	21	(46,818)	(55,931)	(46,818)	(55,931)
Pension liability	12	(15,888)	(30,147)	(15,888)	(30,147)
Total net assets		127,818	104,055	128,587	104,686
Capital and reserves					
Income and expenditure reserve		127,818	104,055	128,587	104,686
Total reserves		127,818	104,055	128,587	104,686

The financial statements were issued and approved by the Board of Directors on 14 September 2022 and were signed on its behalf by:

Ged Lucas	**Ronnie Clawson**	**Juliet Craven**
Chair	**Chair of Audit and Risk Committee**	**Company Secretary**

The accompanying notes on pages 36 to 64 form part of these financial statements.

Consolidated statement of changes in reserves

	Note:	Income and expenditure reserve	Total
For the year ended 31 March 2022		**£'000**	**£'000**
Balance as April 2020		105,160	105,160
Surplus for the year		12,466	12,466
Other Comprehensive Income for the year Actuarial gain relating to defined benefit pension scheme	12	(13,572)	(13,572)
Balance as 31 March 2021		**104,055**	**104,055**
Surplus for the year		7,692	7,692
Other Comprehensive Income for the year: Actuarial loss relating to defined benefit pension scheme	12	16,071	16,071
Balance as 31 March 2022		**127,818**	**127,818**

The accompanying notes on pages 36 to 64 form part of these financial statements.

Association statement of changes in reserves

For the year ended 31 March 2022	Note:	Income and expenditure reserve £'000	Total £'000
Balance as April 2020		105,543	105,543
Surplus for the year		12,715	12,715
Other Comprehensive Income for the year			
Actuarial gain relating to defined benefit pension scheme	12	(13,572)	(13,572)
Balance as 31 March 2021		**104,686**	**104,686**
Surplus for the year		7,830	7,830
Other Comprehensive loss for the year:			
Actuarial loss relating to defined benefit pension scheme	12	16,071	16,071
Balance as 31 March 2022		**128,587**	**128,587**

The accompanying notes on pages 36 to 64 form part of these financial statements.

Consolidated statement of cash flows

Group

For the year ended 31 March 2022	**2022 £'000**	**2021 £'000**
Cash flows from operating activities		
Surplus for the financial year	7,692	12,466
Adjustments for:		
Interest payable and finance costs	2,399	2,089
Interest received	(12)	(15)
Depreciation on tangible fixed assets - housing properties	6,242	5,686
Depreciation on fixed assets - other	542	700
Amortised grant	(206)	(162)
Difference between net pension expense and cash contribution	1,182	300
Surplus on the sale of fixed assets - housing properties	(3,035)	(1,409)
(Increase)/decrease in trade and other debtors	909	(1,530)
Properties for sale - stock	(1,360)	-
(decrease) in trade and other creditors	3,072	(1,008)
Cash from operations	17,425	17,117
Taxation paid	-	-
Net cash generated from operating activities	17,425	17,117
Cash flows from investing activities		
Proceeds from sale of fixed assets - housing properties	4,082	1,850
Purchase of fixed assets - housing properties	(28,683)	(23,538)
Purchase of fixed assets - other	(305)	(386)
Receipt of grant	4,043	3,309
Interest received	12	15
Net cash used in investing activities	(20,851)	(18,750)
Cash flows from financing activities		
Interest paid	(1,769)	(1,716)
Transfer from deposits	2,003	997
Net cash used in financing activities	234	(719)
Net change in cash and cash equivalents	(3,192)	(2,352)
Cash and cash equivalents at beginning of the year	7,248	9,600
Net cash movement	(3,192)	(2,352)
Cash and cash equivalents at end of the year	**4,056**	**7,248**

The accompanying notes on pages 36 to 64 form part of these financial statements.

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 2022.

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

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 significant risk exposures 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 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 making enquires, 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.

Note 1: Accounting Policies (continued)

Income
Income is measured at the fair value of the consideration received or receivable. The group generates the following material income streams:
• rental income receivable (after deducting lost rent from void properties available for letting)
• first tranche sales of Low-Cost Home Ownership
• service charges receivable
• proceeds from the sale of housing property

Rental income is recognised from the point when properties under development reach practical completion or otherwise become available for letting, net of voids.

Income from tranche sales and properties built for sale is recognised at the point of legal completion of the sale.

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

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

Deferred tax is recognised when income or expenses from a subsidiary or associate have been recognised, and will be assessed for tax in a future period, except where:
• the group is able to control the reversal of the timing difference; and
• it is probable that the timing difference will not reverse in the foreseeable future.
New Living Homes limited makes profits which it intends to Gift aid to the association annually within 9 months of its year-end to eliminate any taxable profits.

Value Added Tax VAT
The group charges Value Added Tax (VAT) on some of its income and can 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.

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.

Note 1: Accounting Policies (continued)

Improvements to housing properties and depreciation (continued)

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

Housing properties are split between the structure and the major components which require periodic replacement, each component is accounted for separately and depreciated over its individual useful economic life. Expenditure relating to subsequent replacement or renewal of components is capitalised as incurred. The housing stock's useful and economic life will be reassessed on an annual basis.

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

Improvements to housing properties and depreciation

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

• An increase in rental income

• A reduction in maintenance costs

• A significant extension of the life of the property

In line with the Statement of Recommended Practice (SORP 2018), the Group adopts component accounting, i.e. that where assets have two or more major components with substantially different lives, then the assets will be treated as separate components and depreciated over the different lives.
Housing Property Components are identified as and depreciated as follows:

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

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

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

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

Note 1: Accounting Policies (continued)

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.

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 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.

Note 1: Accounting Policies (continued)

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.

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 a accruals 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 contributions payable under this scheme are charged in the Statement of Comprehensive Income in the period to which they relate.

Bad Debts and Write-Offs

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

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

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

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

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

Note 1: Accounting Policies (continued)

Agreement to improve existing properties
First Choice Homes have an approved VAT Shelter for 15 years post stock transfer and as a result VAT incurred on the Regeneration Programme will be recovered. As part of the stock transfer agreement the initial first tranche of £15.913m was retained by FCHO, this sum was within the first 5 years post transfer. Following the first tranche, there is a remaining second tranche of VAT Shelter savings of up to £6.0m and this will be retained and utilised solely for asbestos works that exceed the value that is contained within the Stock Condition Survey of £11.144m. First Choice Homes commenced the 50/50 VAT Sharing Agreement with OMBC in December 2015 and asbestos spend levels exceeded £11.144m (as per the Second Tranche) in 2019/20 therefore any spend above this level will be shared 50/50 with OMBC. Related assets and liabilities are shown at gross values.

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

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

Judgements and key sources of estimation uncertainty
In preparing these financial statements, the key judgments have been made in respect of the following:

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

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

c) 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 2022

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

	Turnover 2022 £'000	Cost of Sales 2022 £'000	Operating expenditure 2022 £'000	Operating Surplus 2022 £'000
Social housing lettings (note 3)	**48,714**	**-**	**(42,350)**	**6,364**
Other social housing activities				
Management fee	132	-	(99)	34
Development administration	-	-	(107)	(107)
Other	561	-	(235)	326
Total	**693**	**-**	**(441)**	**253**
Activities other than Social Housing				
Other	855	-	(427)	427
Total	50,262	-	(43,218)	7,044
Surplus on disposal of fixed assets				3,035
	50,262	-	(43,218)	10,079

	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				
Management fee	217	-	(203)	14
First tranche low-cost home ownership sales	43	(39)	-	4
Development administration	-	-	(252)	(252)
Other	637	-	(195)	442
Total	**897**	**(39)**	**(650)**	**208**
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

Notes to the financial statements for the year ended 31 March 2022

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

	Turnover 2022 £'000	Cost of sales 2022 £'000	Operating expenditure 2022 £'000	Operating Surplus 2022 £'000
Social housing lettings (note 3)	**48,714**	**-**	**(42,343)**	**6,371**
Other social housing activities				
Management fee	132	-	(99)	33
Development administration	-	-	(107)	(107)
Other	561	-	(235)	326
Total	**693**	**-**	**(441)**	**252**
Activities other than Social Housing				
Other	855	-	(427)	**428**
Total	**50,262**	**-**	**(43,211)**	**7,051**
Surplus on disposal of fixed assets				3,035
	50,262	-	(43,211)	10,086

	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				
Management fee	217	-	(203)	14
First tranche low-cost home ownership sales	43	(39)	-	4
Development administration	-	-	(252)	(252)
Other	637	-	(195)	442
Total	**897**	**(39)**	**(650)**	**208**
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

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

	2022			2021
	General Needs Housing	**Shared Ownership**	**Total**	Total
	£'000	**£'000**	**£'000**	£'000
Income from social housing lettings				
Rent receivable net of identifiable service charges	46,307	86	46,393	45,370
Service charge income	2,033	7	2,040	2,143
Amortised government grants	206	-	206	162
Other grants	75	-	75	-
Turnover from social housing lettings	48,621	93	48,714	47,675
Expenditure on social housing lettings				
Management	(12,450)	-	(12,450)	(11,456)
Service charge costs	(3,148)	-	(3,148)	(3,292)
Routine maintenance	(8,080)	-	(8,080)	(7,049)
Planned maintenance	(3,957)	-	(3,957)	(2,912)
Bad debts	(272)	-	(272)	(217)
Major repairs expenditure	(7,659)	-	(7,659)	(3,638)
Depreciation of housing properties	(6,784)	-	(6,784)	(6,386)
Operating expenditure on social housing lettings	(42,350)	-	(42,350)	(34,950)
Operating Surplus on Social Housing Lettings	6,271	93	6,364	12,725
Void Losses	570	-	570	469

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

	2022			2021
	General Needs Housing	**Shared Ownership**	**Total**	Total
	£'000	**£'000**	**£'000**	£'000
Income from social housing lettings				
Rent receivable net of identifiable service charges	46,307	86	46,393	45,370
Service charge income	2,033	7	2,040	2,143
Amortised government grants	206	-	206	162
Other grants	75	-	75	-
Turnover from social housing lettings	48,621	93	48,714	47,675
Expenditure on social housing lettings				
Management	(12,443)	-	(12,443)	(11,448)
Service charge costs	(3,148)	-	(3,148)	(3,292)
Routine maintenance	(8,080)	-	(8,080)	(7,049)
Planned maintenance	(3,957)	-	(3,957)	(2,912)
Bad debts	(272)	-	(272)	(217)
Major repairs expenditure	(7,659)	-	(7,659)	(3,638)
Depreciation of housing properties	(6,784)	-	(6,784)	(6,386)
Operating expenditure on social housing lettings	(42,343)	-	(42,343)	(34,942)
Operating Surplus on Social Housing Lettings	6,278	93	6,371	12,733
Void Losses	570	-	570	469

Note 4: Operating Surplus	**Group**	Group	**Association**	Association
	2022	2021	**2022**	2021
	£'000	£'000	**£'000**	£'000
The operating surplus is arrived at after charging:				
Tangible fixed assets depreciation and impairment:				
Housing stock	6,163	5,628	6,163	5,628
Accelerated depreciation on replaced components	79	58	79	58
Other fixed assets	542	700	542	700
Auditor's remuneration (excluding VAT):				
Fees payable for the audit of the parent and Group financial statements	31	30	24	23
Fees payable for other non-audit services	2	7	2	5
Operating lease charges:				
Land and buildings	28	28	28	28
Other	618	630	618	630

Note 5: Surplus on sale of fixed assets - housing properties	**Shared Ownership**	**Other housing properties**	**Total**	**Total**
Group and Association				
	2022	**2022**	**2022**	2021
	£'000	**£'000**	**£'000**	£'000
Disposal proceeds	-	4,082	4,082	1,850
Carrying value of fixed assets	-	(1,047)	(1,047)	(437)
	-	3,035	3,035	1,413
Recycled Capital Grant (note 20)	-	(315)	(315)	(109)
Total surplus on sale of fixed assets	-	2,720	2,720	1,304

Note 6: Interest payable and similar charges

Group and Association	2022	2021
	£'000	£'000
Bank loans and overdrafts	(1,626)	(1,608)
Other finance costs	(371)	(491)
Disposal Proceeds Fund & Recycled Capital Grant	-	(1)
Net interest on net defined benefit pension liability (note 12)	(630)	(369)
	(2,627)	(2,469)
Interest payable capitalised on housing properties under construction	228	380
	(2,399)	(2,089)
Capitalised rate used to determine the finance costs capitalised during the period	7.5%	7.6%

Note 7: Interest receivable and other income

Group and Association	2022	2021
	£'000	£'000
Interest receivable and similar income	12	15
	12	15

Note 8: Units of housing stock

Group and Association	2022	2021
	No. of properties	No of properties
Social Housing	10,231	10,550
Affordable - General needs	985	915
Low-cost home ownership	35	32
Intermediate rent	110	111
Total Owned	11,361	11,608
Units under construction	146	113

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 £0.131m in the period ended 31 March 2022 (2021: £0.241m). 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.

Note 10: Director's remuneration

	Group **2022** **£'000**	Group 2021 £'000	Association **2022** **£'000**	Association 2021 £'000
The aggregate emoluments paid to or receivable by non-executive directors and former non-executive directors excluding pension contributions	58	49	58	49
The aggregate emoluments paid to or receivable by executive directors and former executive directors excluding pension contributions	907	716	907	716
The emoluments paid to the highest paid director excluding pension contributions	141	109	141	109
The aggregate amount of directors or past directors pensions	76	62	76	62

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

Note 10: Directors remuneration continued

Board Members

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

Board members	**2022 £'000 Remuneration**	2021 £'000 Remuneration	**Member of: Audit & Risk Committee**	**Governance & Remuneration Committee**	**Group Board**	**Investment & Development Committee**	**New Living Homes Board**
Board member							
Gerard Lucas	10	10		X	X	X	X
Carl Brazier	-	3	X			X	
Hilda Kaponda	6	6	X	X	X		
John Carleton	-	4				X	X
Philip Pearson	4	4	X	X	X		
Mumtaz Ali	4	4	X		X		
Ronald Smith	4	4			X	X	
Jean Mira	4	4	X	X	X		
Clare Doyle	-	2				X	X
Amanda Harris	4	4	X	X	X		
Ronnie Clawson	7	4	X		X		
Emma Richman	5	-			X	X	X
Charlie Dunn	5	-	X		X	X	X
Margaret Goddard	2	-				X	X
Sabihah Khalil	1	-			X		
	58	49					

The aggregate amount of expenses paid to Board members in the period was £470 (£568 in 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 2022 No.	Group 2021 No.	**Association 2022 No.**	Association 2021 No.
Housing maintenance	134	126	134	126
Housing management	135	136	135	136
Support services	37	27	37	27
Development	5	6	5	6
Other services	69	60	69	60
	380	355	380	355

Staff costs (including Executive Management Team) consist of:

	Group 2022 £'000	Group 2021 £'000	**Association 2022 £'000**	Association 2021 £'000
Wages and salaries	12,119	11,414	12,119	11,414
Social Security costs	1,186	1,081	1,186	1,081
Cost of defined benefit scheme	2,590	1,820	2,590	1,820
Cost of defined contribution scheme	605	467	605	467
	16,501	14,782	16,501	14,782

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	**2022**	**2021**
£60,000 - £69,999	5	5
£70,000 - £79,999	4	2
£80,000 - £89,999	3	2
£90,000 - £99,999	3	2
£100,000 - £109,999	1	2
£110,000 - £119,999	-	1
£120,000 - £129,999	1	-
£130,000 - £139,999	-	-
£140,000 - £149,999	1	-

Note 12: Pension obligations

Two pension schemes are operated by the association.

a) Defined benefit pension scheme - (employees with a start date pre-1 September 2015)
The association participates as a contributing member of the Greater Manchester Fund (administered by Oldham MBC in accordance with the Local Government Pension Fund Regulations), which is a funded defined pension scheme where contributions payable are held in trust held separately from the company.

The financial assumptions underlying the last valuation are as follows:

Date of valuation	31 March 2022
Method of valuation	Projected Unit

The valuation was based on the following assumptions:

	31 March 2022		31 March 2021	
Rate of return on accumulated assets	2.75%	pa	2.05%	pa
Rate of salary increases	3.90%	pa	3.55%	pa
Rate of pension increases	3.15%	pa	2.80%	pa
Discount rate	2.75%	pa	2.05%	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	23.2	yrs
Future Pensioners *	21.6	yrs	25.1	yrs

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

Split of Scheme Assets:	31 March 2022 Distribution %	31 March 2021 Distribution %
Equities	69%	72%
Bonds	13%	12%
Property	8%	7%
Cash	10%	9%
Total	**100%**	**100%**

Asset and Liability Reconciliation

Reconciliation of fair value of plan assets	31 March 2022 £'000	31 March 2021 £'000
At the beginning of the year	75,749	61,267
Interest income	1,557	1,417
Contributions by members	350	362
Contributions by the employer	1,408	1,520
Actuarial gains / (losses)	6,951	12,269
Benefits paid	(1,204)	(1,086)
At the end of the year	**84,811**	**75,749**

Note 12: Pension obligations (continued)

Reconciliation of present value of plan liabilities	31 March 2022 £'000	31 March 2021 £'000
At the beginning of the year	105,896	77,173
Current Service Cost	2,525	1,818
Interest Cost	2,187	1,786
Contributions by members	350	362
Changes in financial assumptions	(8,641)	26,157
Past service cost (including curtailments)	65	2
Changes in demographic assumptions	(685)	335
Other experience	206	(651)
Estimated benefits paid	(1,204)	(1,086)
At the end of the year	**100,699**	**105,896**
Net pension scheme liability	**(15,888)**	**(30,147)**

Amounts recognised in Other Comprehensive Income are as follows:

Included in administrative expenses:		
Current service cost	2,525	1,818
Past service cost (including curtailments)	65	2
Total operating charge	**2,590**	**1,820**
Amounts (charged) / credited to other finance costs		
Interest income on plan assets	1,557	1,417
Interest on pension scheme liabilities	(2,187)	(1,786)
Net interest costs return	**(630)**	**(369)**
Analysis of actuarial (loss)/gain recognised in Other Comprehensive Income		
Actual return less interest income included in net interest income	6,951	12,269
Changes in demographic assumptions	685	(335)
Other experience	(206)	651
Changes in assumptions on present value of liabilities	8,641	(26,157)
Actuarial (loss)/gain in other comprehensive income	**16,071**	**(13,572)**

The estimate the employer's contributions for the year to 31 March 2023 will be approximately £1.408m (2022 £1.520m).

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 £605,115 (2021: £467,391). Contributions amounting to £55,780 (2021: NIL) were payable to the fund as at 31 March 2022 and are included in creditors.

Notes to the financial statements for the year ended 31 March 2022

Note 13: Tangible fixed assets - Housing properties

Group

	Social housing properties held for lettings £'000	Social housing properties under construction £'000	Shared ownership completed £'000	Shared ownership under construction £'000	**Total Social housing properties £'000**
Cost					
At 1 April 2021	184,338	9,849	2,520	-	196,707
Replaced components	12,038	(2,171)	-	-	9,867
Interest capitalised	-	211	-	10	222
Additions	-	16,545	-	2,046	18,591
Completed schemes	14,547	(14,547)	492	(492)	-
Disposals - sales under RTB & RTA	(1,306)	-	-	-	(1,306)
Disposals - replaced components	(79)	-	-	-	(79)
At 31 March 2022	209,538	9,887	3,012	1,564	224,001
Depreciation and impairment					
At 1 April 2021	31,092	-	42	-	31,134
Depreciation charge in year	6,216	-	26	-	6,242
Disposals	(346)	-	-	-	(346)
At 31 March 2022	36,962	-	68	-	37,030
Net Book Value at 31 March 2022	172,576	9,887	2,944	1,564	186,971
Net Book Value at 31 March 2021	153,246	9,849	2,478	-	165,573

Note 13: Tangible fixed assets - Housing properties

Association

	Social housing properties held for lettings £'000	Social housing properties under construction £'000	Shared ownership completed £'000	Shared ownership under construction £'000	**Total Social housing properties £'000**
Cost					
At 1 April 2021	184,338	10,544	2,591	-	197,473
Replaced components	12,038	(2,171)	-	-	9,867
Interest capitalised	-	211	-	10	222
Additions	-	16,706	-	2,046	18,752
Schemes completed	14,547	(14,547)	492	(492)	0
Disposals - sales under RTB & RTA	(1,306)	-	-	-	(1,306)
Disposals - replaced components	(79)	-	-	-	(79)
At 31 March 2022	209,538	10,743	3,083	1,564	224,928
Depreciation and impairment					
At 1 April 2021	31,092	-	42	-	31,134
Depreciation charge in year	6,216	-	26	-	6,242
Disposals	(346)	-	-	-	(346)
At 31 March 2022	36,963	-	68	-	37,031
Net Book Value at 31 March 2022	172,575	10,743	3,015	1,564	187,898
Net Book Value at 31 March 2021	153,246	10,544	2,549	-	166,339

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

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

	2022	2021
	£'000	£'000
Freehold	171,735	150,306
Long leasehold	16,162	15,793
	187,897	166,099

Works to existing properties in the year:

	2022	2021
	£'000	£'000
Components capitalised	9,867	7,273
Amounts charged to income and expenditure	7,659	3,638
	17,526	10,911

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

	2022	2021
	£'000	£'000
Social Housing Grant received	25,506	20,741
Social Housing Grant received and held in creditors as deferred income	-	868
Capital grant - Housing Properties	25,506	21,609
Disposal Proceed Funds	-	-
Recycled Capital Grant Fund	315	109
Total Housing Grant received	25,821	21,718

Finance costs

	2022	2021
	£'000	£'000
Cumulative amount of finance costs included in the cost of housing properties	1,527	1,305

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.

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 2021	9,412	4,848	48	272	14,580
Additions	-	-	-	305	305
Transfers	34	512	-	(546)	0
Disposals	-	-	-	-	-
At 31 March 2022	9,446	5,360	48	31	14,885
Depreciation					
At 1 April 2021	615	3,921	12	-	4,548
Charge in the year	111	421	10	-	542
Disposal	-	-	-	-	-
At 31 March 2022	726	4,342	22	-	5,090
Net Book Value at 31 March 2022	8,720	1,018	26	31	9,795
Net Book Value at 31 March 2021	8,797	927	36	272	10,032

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

	2022	2021
	£'000	£'000
Long leasehold	8,720	8,797
	8,720	8,797

Note 15: Properties for Sale

Group and Association

	2022	2021
	£'000	£'000
Shared ownership properties:		
At 1st April 2021	-	52
Completed properties additions	328	(15)
Work in progress additions	1,032	-
Disposal	-	(37)
	1,360	-
Properties developed for outright sales	-	-
At 31st March 2022	1,360	-

Note 16: Debtors	Group	Group	Association	Association
	2022	2021	**2022**	2021
Due within one year	**£'000**	£'000	**£'000**	£'000
Rental and service charge arrears	2,955	3,154	2,955	3,154
Less: Provision for bad and doubtful debts	(730)	(716)	(730)	(716)
	2,225	2,438	2,225	2,438
Trade debtors	253	88	253	88
Amounts owed by group undertakings	177	-	177	-
Prepayments & accrued income	1,460	1,638	1,460	1,638
Social housing grant receivable	300	1,666	300	1,666
Other taxes and social security	728	565	651	548
Deposits on purchased schemes	1,225	151	1,225	151
Other debtors	13,655	10,697	13,654	10,697
Total due within one year	20,023	17,243	19,945	17,226
Due after more than one year	32,812	45,613	32,812	45,613
Total debtors	52,835	62,856	52,757	62,839

The debtor due after more than one year represents £32,812m (£45.613m in 2021) obligation to have improvement work carried out to the properties transferred to FCHO net of £13.186m (£10.317m in 2021) budgeted to be spent in 2022-23 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.

Note 17: Creditors - Amounts falling due within one year	Group	Group	Association	Association
	2022	2021	**2022**	2021
	£'000	£'000	**£'000**	£'000
Trade creditors	3,408	899	3,444	563
Social housing grant in advances	-	868	-	868
Rent & service charges received in advance	2,981	2,984	2,981	2,984
Amounts owed to group undertakings	177	-	503	742
Other taxation and social security	461	281	461	281
Oldham MBC - RTB Clawback	1,709	693	1,709	693
Accruals and deferred income	5,717	5,417	5,213	5,044
Deferred capital grant (note 19)	256	194	256	194
Disposal proceeds fund (note 19)	2	2	2	2
Recycled capital grant fund (note 19)	1	1	1	1
Other creditors	835	1,136	305	376
	15,547	12,475	14,875	11,748

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

	Group	Group	Association	Association
	2022	2021	**2022**	2021
	£'000	£'000	**£'000**	£'000
Loan and borrowings facility	25,309	25,310	25,309	25,310
Recycled Capital Grant (note 20)	592	216	592	216
Deferred Capital Grant	23,136	19,669	23,136	19,669
Other	9	9	9	9
	49,046	45,204	49,046	45,204

Analysis of maturity of debt - Group and Association

	2022	2021
	£'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 2022 the group had undrawn loan facilities of £45m (2021 - £45m).

Note 19: Deferred capital grant

Group and Association	Social Housing Grant	Other Government Grants	**Total Grant 2022 £'000**	Total Grant 2021 £'000
As at 1 April 2021	17,698	2,383	20,081	16,435
Grants received during the year	3,855	429	4,284	3,808
Net grant in relation to disposals	(114)	(59)	(172)	-
Released to income in the year	(176)	(29)	(206)	(162)
As at March 2022	21,263	2,724	23,987	20,081

As at 31 March 2022, there is £nil due for repayment and £nil has been paid in the year.

Other Government Grants received from GMCA in relation to the West Vale scheme is secured by charged property deed in favour of the GMCA.

Note 20: Recycled capital grant fund

Group and Association	**2022 £'000**	2021 £'000
As at 1 April 2021	216	226
Grants recycled from sale of Right to Acquire sales	315	108
Interest accrued	-	1
Recycling of grant	121	-
New build	(60)	(119)
Repayment of grant to the HCA	-	-
As at March 2022	592	216

As at 31 March 2022, there is £nil due for repayment and £nil has been paid in the year.

Note 21: Provision for liabilities and charges

Group and Association	2022 £'000	2021 £'000
Development Agreement	45,998	55,931
Remediation Works	820	-
Closing balance as at 31 March 2022	46,818	55,931

	Development Agreement	Remediation Works	Total
Opening Balance	55,931	-	55,931
Provision in Year		820	820
Less: Investment Works	(9,933)	-	(9,933)
Closing Balance as at 31 March 2022	**45,998**	**820**	**46,818**

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).

Remedial works have been best estimated at a total of £2.1m. Of this work £0.8m is expected to be completed post March 2023. Works are required to ensure compliance and fire safety standards are met at our Coldhurst estate. The provision will be utilised as works are completed.

Note 22: Capital Commitment

	Group 2022 £'000	Group 2021 £'000
Capital expenditure that has been contracted for but not been provided for in the financial statements	14,043	11,561
Capital expenditure that has been authorised by the Board but has not yet been contracted for	56,016	25,766

The above commitments will be financed primarily through borrowings (£62,445k), which are available for drawdown under the post year-end refinancing loan arrangements, with the balance (£7,614k) 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:

	2022	2021
	£'000	£'000
Land & Buildings		
Less than one year	17	14
Later than one year but not later than five years	-	-
In five years or more	-	-
Total	17	14
Other leases		
Less than one year	566	478
Later than one year but not later than five years	1,448	1,408
In five years or more	-	-
Total	2,014	1,886

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.

Notes to the financial statements for the year ended 31 March 2022

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:

2021/22	Income	Expenditure	Debtors/(Creditors)
	£'000	£'000	£'000
New Living Homes Limited	406	(8,273)	(1,169)

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 £0.131m in the period ended 31 March 2022 (2021: £0.241).

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 £4,385 (2021: £4,322). There are no arrears on their tenancies at the reporting period end (2021: £Nil).

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

Note 26: Financial Instruments

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

Financial assets	Group 2022 £'000	Group 2021 £'000	Association 2022 £'000	Association 2021 £'000
Fixed assets measured at historical cost:				
- Trade receivables	253	88	253	88
- Other receivables due within one year	18,311	15,517	18,233	15,500
- Other receivables due after more than one year	32,812	45,613	32,812	45,613
- Investments in short term deposits	100	2,103	100	2,103
- Cash and cash equivalents	4,056	7,248	3,304	6,404
Total financial assets	55,532	70,569	54,702	69,708

Financial liabilities	Group 2022 £'000	Group 2021 £'000	Association 2022 £'000	Association 2021 £'000
Financial liabilities measured at amortised cost:				
- Loans payable	25,309	25,310	25,309	25,310
Financial liabilities measured at historical cost:				
- Trade creditors	3,408	899	3,444	563
- Other creditors due within one year	12,139	11,576	11,432	11,185
- Other creditors after more than one year	23,737	19,894	23,737	19,894
Total financial liabilities	64,593	57,679	63,921	56,952

Note 27: Net debt reconciliation

Group and Association

	As at 1 April 2021 £'000	Cash flows £'000	Other non-cash changes £'000	As at 31 March 2022 £'000
Cash at bank and in hand	7,248	(3,192)	-	4,056
Cash and cash equivalents	2,103	(2,003)	-	100
Bank Loans	(25,310)	-	-	(25,310)
Net Debt	(15,959)	(5,195)	-	(21,155)