futures
housing group

Company Registration No.06293737
Registered by the Homes and Communities Agency No. L4502

Futures Housing Group Limited

Annual Report and Financial Statements

Year ended 31 March 2016

Futures Housing Group Limited
Year Ended 31 March 2016

Contents

Board Members, Executive Directors, Advisors and Bankers

Board		**Appointed**	**Resigned**
Chair	Dr Mark Flynn, FRSA	11 June 2007	14 July 2015
	Ian Toal	03 February 2011*	31 August 2016
	Tony Taylor	25 May 2010**	
Vice Chairs	Elaine Bradbury	23 January 2007	7 July 2016
	Tony Taylor	25 May 2010**	
	Sheila Hyde	23 September 2014***	
Other Members	Dennis Macharaga	11 June 2007	14 July 2015
	Harindra Punchihewa	27 January 2009	
	Lindsey Williams	18 July 2013	
	David Leathley	01 April 2014	
	Sheila Hyde	23 September 2014	
	Sophie Fitzhugh	15 July 2015	
	Philip Tooley	15 July 2015	
	Steve Hale	15 July 2015	
	Ray Harding	26 January 2016	
	Mike Stevenson	26 January 2016	
	Elaine Bradbury	23 January 2007	

* Ian Toal was appointed Chair on 14 July 2015
** Tony Taylor was appointed Chair on 01 September 2016 and ceased being the Vice Chair on this date.
*** Sheila Hyde was appointed Vice Chair on 01 September 2016

Company Secretary Ian Skipp

Executive Directors

Chief Executive	Lindsey Williams
Group Finance Director	Ian Skipp
Group Strategic Director of Assets	Martin Sherman
Executive Director Futures Homescape	Paul Parkinson
Interim Executive Director Futures Homeway	Alan Brunt (appointed 1 June 2015)

Registered Office
Asher House
Asher Lane Business Park
Ripley
Derbyshire
DE5 3SW

Registered Number
Registered under the Companies Act 2006, No: 06293737
Homes & Communities Agency, No: L4502

External Auditors
Grant Thornton UK LLP
Chartered Accountants
Registered Auditors
Colmore Plaza
20 Colmore Circus
Birmingham
B4 6AT

Solicitors
Anthony Collins LLP
134 Edmund Street
Birmingham
B3 2ES

Bankers
NatWest Bank PLC
Nottingham Road
Ripley
Derbyshire
DE5 3DG

STRATEGIC REPORT

The Board of Futures Housing Group Limited presents its report together with the audited financial statements for the year ended 31 March 2016.

Activities
Futures Housing Group Limited ("the Company" or "FHG") is a company limited by guarantee (number 06293737) and is registered as a housing provider with the Homes & Communities Agency ("HCA") (number L4502). It is the parent entity of the Futures Housing Group ("the Group").

The Company was incorporated on 26 June 2007 and began trading on 5 November 2007. Other members of the Group are Futures Homescape Limited ("FHL") formed in 2003; Daventry & District Housing Limited ("DDH") formed in 2007, from 27 May 2016 DDH has changed its name to Futures Homeway Limited ("FHW"), (both FHL and FHW are registered providers with the HCA); Five Doorways Homes Limited ("5DW") formed in 2004; Futures Greenscape Limited ("FGL") formed in 2011 and Limehouse Developments Limited formed 9 May 2015. Each Company has its own Board.

FGL is a social enterprise business whose principal activities are grounds maintenance, property clearance and painting work, with the associated aim of training and developing its staff to equip them with skills to gain employment.

Limehouse Developments Limited is a subsidiary of Five Doorways Homes Limited. The Company has been established to act as a development vehicle for properties for outright sale. No transactions have taken place during 2015-16.

Working in partnership allows the Group to provide the benefits and economies of scale and capacity that a large organisation brings, whilst allowing each company to retain a strong focus on local delivery.

Futures Housing Group provides back office services to its subsidiaries; these include finance, human resources, information technology and procurement. FHG also provides services in respect of strategic asset management and development.

During the year the Group's principal activities were the management and development of social housing. The Group has continued to invest in its housing stock and in services to residents, through its ongoing development and improvement programmes; it is committed to continuous improvement and efficiency, and delivery of social enterprise schemes.

STRATEGIC REPORT (continued)

Objectives and Strategies
The Group's vision is "to be a strong forward thinking regional housing group with its heart in the community".

The aims of the Group are as follows:

Positive Impact on Communities
We do more than just provide housing. We make a difference by working with communities and partners to create safer, better places to live.

More Than Satisfied Customers
We actively seek to understand, anticipate and respond to the needs and expectations of our communities and customers.

Financially Strong and Progressive
We use our combined financial strength and resources to provide a range of enhanced homes and services. We challenge, innovate and positively pursue business development opportunities to position ourselves for the future.

Top Quality Performance
We are passionate about excellence and will achieve the highest standards in all that we do.

Top Performing People
We are one team with shared values and work as one to achieve. We will work together in an environment which is supportive and where individuals and teams are developed, rewarded and valued.

Performance
The Group measures achievement of its key objectives and value for money by monitoring financial and non-financial performance both at Group and subsidiary level. Key performance indicators are reported to the Group Executive Team on a monthly basis and to the respective Boards quarterly.

The significant aspects of performance during 2015-16 across the Group were as follows:

STRATEGIC REPORT (continued)

Futures Homescape
Key performance indicators are reported to the Company's Executive Management Team on a monthly basis and to the Board quarterly. Financial KPIs are shown in the finance section of the Strategic Report and operational KPIs are included with the Value for Money self assessment section of this Strategic Report.

During 2015-16 the Company met, or exceeded, its key performance targets. Of key importance was the retention of an upper decile rent arrears position. This performance, along with the Company's approach to income management, culminated in the Group being awarded 'Outstanding approach to income management' at the UK Housing Awards 2016. The Company also achieved upper quartile void turn-around time, responsive repairs delivery and customer satisfaction. High and ongoing performance was retained on other key indicators such as gas servicing, Decent Homes and the SAP thermal efficiency ratings.

FHL has continued developing new homes to help address the chronic shortage of affordable housing in its geographical area. During the year 49 homes were developed with a strong pipeline for growth in the future incorporating different tenure mixes. The company's Private Sector Leasing team continued to expand its portfolio finishing the year with a total of 142 homes in management.

Building on enhancements within customer services residents have played a stronger role in shaping services following the introduction of Insight Committees across the Group. These Committees form a key part of the Group's governance structure and will ensure that tenants' needs are communicated to the Board.

The company has continued to work closely with its sister company FHW to produce a Group wide approach to key challenges and risk; activities during the year included continued joint working on welfare reform and closer alignment of void and housing management processes and procedures.

STRATEGIC REPORT (continued)

Futures Homeway Limited (formerly Daventry & District Housing)
As with FHL, key performance indicators are reported to the Company's Executive Management Team on a monthly basis and to the Board quarterly. A local performance meeting occurs monthly with the organisations management team to understand and vigorously challenge all performance measures and supporting management data in a discursive forum designed to generate improved outcomes and value for money.

The Company ended the 2015-16 year exceeding expectations in many of its key performance indicators, especially the main operational areas.

The percentage of tenants satisfied with FHW's overall service remained exceptionally high at 95%. The Company's increasing financial capacity enabled it to exceed its new home delivery with 21 new homes being developed in the year.

Following an increased focus on aligning processes across the Group, rent collection performance improved significantly with year end arrears as a percentage of annual rental income falling below 1%.

Following the completion of the Transforming Homes programme, the investment in homes started to reduce during the year. Further details of this is set out in the value for money section of these accounts.

STRATEGIC REPORT (continued)

Futures Housing Group
During the year FHG continued to provide back office services to the Group. In addition, FHG has actively sought to address issues affecting its tenants and local communities as well as actively training and developing its staff with the aim of enabling them to reach their full potential. The issues facing tenants and local communities include responding to increasing unemployment and enhancing the delivery of services through social enterprises.

The Group has continued to have employment and training as a focus area and has worked with Access Training to train and develop people within the communities the Group serves.

The Group is also committed to training and developing its own staff and has retained Investors in People Silver.

FHG has further embedded the operations of its first social enterprise business, Futures Greenscape Limited. The expansion of FGL continues and its success has enabled further provision of employment for people previously unemployed.

During the year the Group developed a new Corporate Plan that resets the strategic direction of the organisation for the next three years. The new plan has four key objectives that will ensure the Group remains a strong organisation, has ambitious growth plans and delivers great places where its customers can live. This will be delivered whilst streamlining the business and delivering effortless customer experiences.

Further details of the Group's achievements and its opportunities and areas for further development are set out in the value for money self assessment below.

STRATEGIC REPORT – (cont'd): Value for Money Self Assessment 2015-16

1. Context

Futures Housing Group ('the Group') undertakes an annual Value for Money ('VFM') Self Assessment to evaluate its financial, social and environmental performance. The Group uses performance measures to drive VFM and along with this self assessment, enables stakeholders to determine how the Group delivers VFM.

The Group is committed to delivering VFM and this self assessment demonstrates compliance with the VFM Standard, as set out in the Regulatory Standards for registered providers of social housing. The self assessment also details progress against areas identified for improvement in last year's self assessment and additional areas where the Board wishes to further enhance VFM. The Group's website includes a summary of compliance against the VFM Standard www.futureshg.co.uk/about-us.

The Board recognises that there are some areas where the business is operating outside of target. In addition, it will take time for the Government to develop plans in response to the EU Referendum outcome ('Brexit'). This may have an impact on some of the Group's future value for money initiatives. The Group expects there to be a period of uncertainty around this issue and is monitoring risks associated with Brexit. Stress testing possible scenarios arising from Brexit will continue and the objectives in the Group's Corporate Plan may be updated, if appropriate.

To enable transparency and accessibility, further publications on VFM have been provided to the Group's stakeholders including a separate VFM document for the Group's tenants. These publications can be found on the Group's website www.futureshg.co.uk/about-us.

Contact with and scrutiny by tenants has been strengthened through the year following implementation of a revised Governance structure. This structure introduces Insight Committees for each of the Group's operating areas. The terms of reference for these committees focus on ensuring that customers receive the services they want from the Group. In addition, the work of Tenant Scrutiny Panels has continued. This structure provides feedback on services and desired improvements which inform Board decisions and help shape the Group's strategic direction.

2. Corporate Plan 2016-19

The Group has introduced a new three year Corporate Plan 2016-19 ("the Plan"). This Plan includes the following key corporate objectives:

- Effortless Customer Experiences
- Strong Organisation
- Great Places
- Ambitious Futures

The VFM Strategy has been updated to reflect the Plan and the VFM Action Plan 2015/16 and VFM Self Assessment have been aligned to the new objectives within the Plan.

STRATEGIC REPORT (cont'd): Value for Money Self Assessment 2015-16

3. Approach to VFM

General approach

VFM is an ongoing process within the Group's systems and culture. There is a clear track record of driving cost reduction and improved performance whilst generating savings for re-investment.

What VFM means for the Group

Strategically, the Group's VFM target continues to be linked directly to its vision of being a strong, forward thinking regional housing group with its heart in the community. To deliver this, the Group's VFM Strategy has the aim of achieving economy, efficiency and effectiveness across all Group operations.

VFM Strategy

The Group Audit and Risk Committee approved the VFM Strategy 2015/16 in January 2015.

The VFM Strategy addresses how the Group intends to continue meeting the requirements of the VFM Standard. The overarching aim of the VFM Strategy is to have upper quartile performance with costs at no more than the median level. Where this aim is not being met, the VFM Strategy requires an action plan to move an area into upper quartile or to articulate, through the VFM Self Assessment, why the Board has taken a strategic decision to either invest in an area or not seek upper quartile performance.

The Plan defines various measures to support VFM delivery against the corporate objectives. These are set out as future targets against each corporate objective (see section 6).

The Board recognises that VFM needs to be assessed continually and the Group's operations adapted to enable continued VFM delivery. To monitor this, various measures exist to enable the Board to assess VFM during the year and track the overall direction of travel. These include:

- monitoring delivery of the Plan and its associated corporate objectives;
- inclusion of VFM in every report considered by the Board;
- the Group Audit and Risk Committee having the role of VFM Champion in overseeing delivery against the VFM Standard and reporting back to the Board;
- the assessment and monitoring of a suite of performance measures which are linked to each of the four corporate objectives and track service delivery and VFM; and
- VFM progress updates shared via the Group's website.

The Board has also set up a new working group and committee to oversee some key delivery areas of the Plan. These are a working group to oversee inorganic business growth and a committee to oversee organic business growth as well as evaluating asset performance.

As a mature LSVT, with a consistent track record of delivering efficiencies, the ability to gain further savings through cost reduction without fundamental changes to how the Group operates is limited. During FY2016/17, a review commenced to assess the organisational staff structure, working environment and the expanded use of technology. All these areas are being reviewed with the aim of reducing operating costs. Prior to setting efficiency targets, the Board will assess the implications for the Group and its customers.

STRATEGIC REPORT (cont'd): Value for Money Self Assessment 2015-16

During 2015/16, the Group started an initiative called 'Our Futures Way'. This initiative is using innovative methodologies to target efficiencies in different ways by eliminating process waste to support effortless customer experiences.

On 8 June 2016 the HCA issued letters to all Registered Providers with over 1,000 units setting out the findings of their cost analysis for the year ending 31 March 2015. The analysis concludes that there are numerous factors that have an influence on sector costs, for example the proportion of supported housing and the level of Decent Homes activity.

The HCA's letter expresses concern over the wide variation of costs across the sector. It also makes it clear that the HCA will be challenging providers on their approach to optimising efficiency. In particular they will be seeking to understand how Boards assure themselves that resources and assets are being used in the most cost effective way. This is assessed further at section 6.2.

4. VFM in decision making

VFM is embedded in decisions across the Group. At high level, the Board undertakes an annual review of the Group's strategic direction and the performance against delivering the three year Plan after taking account of the requirements and expectations of customers and other key stakeholders.

The Board's review includes the allocation of available funds to deliver the Plan. The Plan is communicated to stakeholders and team members and is also available on the Group's website (www.futureshg.co.uk/about-us).

Tactical and operational decisions also consider VFM, through a robust internal control framework. For example, this requires staff to assess and document VFM when procuring goods and services.

Managing Performance

Central to the Group's VFM Strategy, is the desire to manage resources economically, efficiently and effectively. To enable this, the Group operates a robust performance management and scrutiny framework that provides accurate, relevant and timely performance information. This information is used to drive efficiencies and help deliver VFM.

The performance management system provides specific information sets which are designed to match user requirements. For example, the Board receives data to monitor delivery of the Plan while team members receive information to enable them to monitor and improve their particular area of work.

Costs, quality and performance are benchmarked against other organisations using statistics from external organisations such as Housemark and RSM.

Examples of actual performance for 2015/16 are included under each corporate objective section below. This demonstrates the extent to which the Group has achieved sustained VFM. The examples used relate to the Group's two trading registered providers and main subsidiaries, FHL and FHW. The information is monitored quarterly by the Board to assess delivery against the Plan.

STRATEGIC REPORT (cont'd): Value for Money Self Assessment 2015-16

5. Progress since last year

The Group had identified several areas where VFM could be further enhanced. Some of these have been actioned during 2015/16 whilst others are expected to continue into future years. Details of performance against targets set in the VFM Self Assessment 2014/15 are included under each of the corporate objectives (see section 6 below). Details of monetary efficiency gains are set out separately under the Strong Organisation objective.

6. VFM objectives within the Corporate Plan

This section provides a VFM self assessment in relation to each of the four corporate objectives that deliver the Plan. Each self assessment is based on a combination of performance, financial and benchmark data and the following ratings:

- Performance significantly out of target
- Performance not meeting target
- Performance at or above target

Detailed under each corporate objective below are future plans to further enhance VFM. These are embedded into a VFM Action Plan that includes timescales for delivery. This action plan can be found on the Group's website.

6.1 Effortless Customer Experiences

VFM self assessment

At FHW, customer satisfaction with the most recent repair is out of target, although the direction of travel is improving and close to upper quartile performance.

The Group's development of a mobile app, to enable customers to manage their accounts via mobile and tablet devices, has been delayed. Consequently, the social and environmental aspects of the VFM assessment are graded as amber.

No significant income or expenditure anomalies have arisen during the year and therefore the financial assessment is green.

Performance against 2014/15 targets

Key VFM actions identified in 2014/15	Progress to date	Status
The Group has started a transformation review of its repairs service. This focusses on the end to end customer process and is using lean techniques to identify and remove waste, deliver process efficiency and improve customer satisfaction.	The Group has put on hold its repairs transformation work but this will be picked up through the Our Futures Way initiative. This initiative will identify areas of inefficiency in the service with a view to eliminating them. It is linked to the new Plan and delivering effortless customer service. The withdrawal of supported people funding has led the Group to prioritise its review of supported housing services and independent living ahead of repairs.	Deferred
The Group will review tenancy management services as part of its wider transformation programme to increase customer satisfaction and reduce cost.	During the year, the Group's transformation programme has been refined with the initial focus area being supported housing. As tenancy management remains a high cost area at FHW, this action is planned to be reviewed through the organisation restructure and the Our Futures Way initiative.	Deferred

STRATEGIC REPORT (cont'd): Value for Money Self Assessment 2015-16

Key VFM actions identified in 2014/15	Progress to date	Status
Ensure our services are competitive and meet customers' future needs.	Work ongoing. Delivering effortless customer service underpins the Our Futures Way initiative which is being rolled out on a service by service basis. Support Services is currently going through transformation. This has involved looking at customer demand placed on the service and work flow and considering customer needs. The work will drive a redesign of the current service to ensure that services are accessible, affordable and fit for the future.	On target
Commence a business transformation programme which is customer-focussed and improves efficiency.	The Group introduced the 'Our Futures Way' initiative during 2015/16 to drive transformation of its services. This work is designed to review and transform all of the Group's services by looking at customer demand placed on the service and work flow, whilst considering customer needs. It also considers project running costs. The work will drive redesign of the current service to ensure that services are accessible, affordable and fit for the future. Transformation work in relation to Support Services has been prioritised and is in progress.	On target
Roll out of a unified communications platform to deliver business efficiencies for the benefit of tenants, employees and other stakeholders and to offer improved choice and satisfaction for customers.	Work ongoing. To support delivery, the Group is developing a 12 month project plan. In addition, a unified communications contract for hardware and software was put in place in September 2015. The proof of concept for this work has been completed with approval received for full implementation. The project is in progress and expected to go live by December 2016.	On target
Development of a mobile app to enable further roll out of Your Account to customers via mobile and tablet devices.	Work ongoing. The Group plans to use an IT solutions company, to support app development. Project delivery has been delayed due to the acquisition/merger of the software vendor involved and the unplanned departure of the Project Lead from the Group. Project management has been reallocated to the Group's ICT team which is now working towards going live in December 2016.	Delayed

Performance 2015/16

The tables below set out some examples of how the Group has achieved sustained VFM in relation to FHL and FHW. This information is monitored by the Board and has a direct correlation on the Group's corporate objective of providing effortless customer experiences.

FHL

Measure	Upper quartile / future target *	*Direction of Travel*	*2015/16 Target*	2015/16 Actual	Target met	*2014/15 Target*	2014/15 Actual	*2013/14 Target*	2013/14 Actual
% of tenants satisfied with overall service	*92*	→	*≥ 85*	95.3		*≥ 85*	95.3	*≥ 85*	90.1
% of jobs completed right first time	*91*	↓	*≥ 91*	91.1		*≥ 91*	91.7	*≥ 87*	91.1
% of tenants satisfied with the most recent repair	*90*	↓	*≥ 90*	92.2		*≥ 90*	92.6	*Not reported in this year*	
Number of complaints escalated to the Ombudsman and our decision overturned	*0*	N/A	*0*	0		*Not reported in these years*			

STRATEGIC REPORT (cont'd): Value for Money Self Assessment 2015-16

FHW

Measure	*Upper quartile / future target **	*Direction of Travel*	*2015/16 Target*	2015/16 Actual	Target met	*2014/15 Target*	2014/15 Actual	*2013/14 Target*	2013/14 Actual
% of tenants satisfied with overall service	*92*	→	*≥ 85*	94.6	🟢	*≥ 85*	94.6	*≥ 85*	84.6
% of jobs completed right first time	*91*	↑	*≥ 91*	93.3	🟢	*≥ 91*	91.8	*≥ 87*	92.3
% of tenants satisfied with the most recent repair	*90*	↑	*≥ 90*	87.9	🔴	*≥ 90*	86.9	*Not reported in this year*	
Number of complaints escalated to the Ombudsman and our decision overturned	*0*	N/A	*0*	0	🟢	*Not reported in these years*			

* *Based on 31 March 2015 benchmarking thresholds where measured consistently with Housemark definitions*

Future plans

- To show measureable improvement in how easy it is for customers to interact with us.
- To increase our customer net promoter score (ie how many of our customers would recommend our services to others).
- To demonstrate improved services through use of customer research and insight.
- To increase our right first time service delivery.
- To increase the number of volunteers within our communities and the services that they offer.

6.2 Strong Organisation

VFM self assessment

The Group made financial gains of £4.8m against a target of £3.7m, including procurement cost savings of £1.65m. £14.6m has been invested into the asset base. The Group delivered strong year end income performance and used its inhouse Money Advice service to help benefits capped customers access appropriate benefits. This resulted in a UK Housing Award 2016.

FHW asset management costs remained out of benchmark but have reduced since 2014/15. However, FHW's stock improvement programme ceased from 2015/16 which moved the Group out of the most expensive category (social housing cost data). A key area for improvement is reducing the Group's high management costs. A restructure in 2016/17 is aimed at reducing these costs to align with benchmark averages.

The Group invested in training and development and recruited graduates via the Charity Works Programme. Silver IIP status was retained.

Investment into the Our Futures Way initiative will further reduce costs, waste and carbon footprint.

The Group retained its G1 / V1 status following an IDA.

Performance against 2014/15 targets

Key VFM actions identified in prior year	Progress to date	Status
Deliver £1.2 m cost and efficiency saving.	The Group has made financial gains of £4.8m against a target of £3.7m. This includes procurement cost savings of £1.65m and gains through property sales, income from diversified tenures such as market rents and effective management of rent arrears.	Complete 🟢

STRATEGIC REPORT (cont'd): Value for Money Self Assessment 2015-16

Performance against 2014/15 targets

Key VFM actions identified in prior year	Progress to date	Status
Invest a further £39m over the next 3 years in maintaining and improving homes.	During 2015/16, £14.6m was invested in homes for maintenance and improvement. A further £40m will be invested over the next three years. A new Framework Agreement 2016-2020 has been procured for planned maintenance and targeted at smaller local businesses to drive efficiencies. The Group is at contract award stage with 24 businesses secured from around 90 applications.	On target
Improve our payment and collection process to maximise income by effectively preparing for and communicating the potential impact of Universal Credit.	The Group demonstrated its strongest arrears management performance at the end of 2015/16. It subsequently won the 'Outstanding approach to income management' award at the UK Housing Awards 2016 having helped to identify c. £700k of savings for customers. The timing of this performance is particularly important for the Group as it coincides with the mandatory introduction of a 1% reduction in rents.	On target
Continue to respond proactively to the Welfare Reform changes.	FHW brought their money advice team in-house to align this function with FHL. The service was previously provided by the Citizens Advice Bureau and the Group TUPED over 2 staff. This saved the Group c. £25k per annum and allows it to offer improved customer service. The Welfare Reform Group continues to review the ongoing impact of welfare reform. Publicity initiatives about benefit changes will include targeting of tenants potentially affected by the benefits cap.	On target
The Group is piloting the '6th generation' of the Investors In People (IIP) framework and assessment process. The aim is to work towards Gold.	Work ongoing. The aim of this work is to achieve IIP Gold status. The Group has retained Silver status. An assessment for Gold status will take place in June 2018.	On target
The Group is looking to recruit 4 graduates during 2015/16.	The Group recruited 3 graduates via the Charity Works Programme and one via the Group's own recruitment process. These graduates work within the following teams: ▪ Communications; ▪ Development; ▪ Finance; and ▪ Housing Markets. The Charity Works Programme is a 12 month rolling recruitment model. This means that 3 new graduates are expected to join the Group from 1 September 2016 and replace those recruited through the 2015/16 programme. The Charity Works graduates are required to complete research projects which have included review of shared ownership processes to identify improvements and alternative construction techniques to assess the fit with existing infrastructure. The Group has used its graduate resource to support various business initiatives / challenges including: ▪ Development: setting up new Limehouse property deals, including contributing to the delivery of a £7m investment in homes to be let at open market rents; ▪ Supporting workload pressures resulting from career and maternity breaks to avoid backfill recruitment costs; ▪ Deliver full financial appraisal of new business opportunities; and ▪ Taking on projects / workload to allow other employees to focus on new areas and growing the business.	Complete

STRATEGIC REPORT (cont'd): Value for Money Self Assessment 2015-16

Key VFM actions identified in prior year	Progress to date	Status
Complete implementation of a new Governance structure which moves the business from multiple Boards to one coterminous Board and reduces meeting costs and time in servicing Boards.	Complete. The new governance structure moved the core housing business from four Boards to a single co-terminous Group Board, supported by two new Insight Committees to oversee local performance. Due to its different operations, Futures Greenscape Limited has retained its own separate Board. An Asset Investment Committee has been created to scrutinise business growth and asset maximisation more closely. The Limehouse Board is also an addition to the structure to govern the new outright sales development company. The outcome of this new structure is an enhancement in governance quality through, more agile decision making, removal of duplication, time efficiencies at Executive level by attending fewer Board meetings and at managerial level by a reduction in report production. This enhanced quality has been generated by a zero net investment as the costs of the old and new structure are equal.	Complete
Continue to invest in the training and development of team members.	During 2015/16 the Group invested in and delivered 100% compliance training across various areas such as, Gas Safe registration, asbestos, fire wardens and first aid. The Group also made innovative use of e-learning solutions to help achieve its target of delivering 80% of training requests received.	Complete

Performance 2015/16

The tables below set out some examples of how the Group has achieved sustained VFM in relation to FHL and FHW. This information is monitored by the Board and has a direct correlation on the Group's corporate objective of operating a strong organisation.

FHL

Measure	*Upper quartile / future target **	*Direction of Travel*	*2015/16 Target*	*2015/16 Actual*	*Target met*	*2014/15 Target*	2014/15 Actual	*2013/14 Target*	2013/14 Actual
Cost per property of Asset Management (£)	*2,444*	↑	*≤ 2,444*	1,607		*≤ 2,674*	1,585	*≤ 2,539*	1,641
Current rent arrears as % of rent due	*1.52*	↓	≤ 2	0.71		≤ 2	0.78	≤ 2	1
% satisfaction with FHG as Employer of Choice	*85*	↑	*≥ 85*	91.1		*≥ 85*	90.3	*≥ 85*	87
Number of service areas achieving high cost / low performance, based on annual Housemark benchmarking.	*0*	→	*0*	0		*0*	0	*Not reported in this year*	

FHW

Measure	Upper quartile / future target *	*Direction of Travel*	*2015/16 Target*	2015/16 Actual	Target met	*2014/15 Target*	2014/15 Actual	*2013/14 Target*	2013/14 Actual
Cost per property of Asset Management (£)	*2,444*	↓	*≤ 2,444*	2,697		*≤ 2,674*	2,723	*≤ 2,539*	*3,223*
Current rent arrears as % of rent due	*1.52*	↓	≤ 2	0.96		≤ 2	1.64	*≤ 2*	1.4
% satisfaction with FHG as Employer of Choice	*85*	↑	*≥ 85*	88.4		*≥ 85*	85.4	*≥ 85*	86
Number of service areas achieving high cost and low performance, based on annual Housemark benchmarking.	*0*	→	*0*	0		*0*	0	*Not reported in this year*	

* *Based on 31 March 2015 benchmarking thresholds where measured consistently with Housemark definitions*

STRATEGIC REPORT (cont'd): Value for Money Self Assessment 2015-16

HCA social housing cost analysis

The table below highlights the social housing cost per unit data from 2014/15 to 2018/19 for FHL and FHW. The data has been graded as red, amber or green depending on whether the costs fall into the upper quartile most expensive, median quartile average or lower quartile least expensive ranges respectively. The quartile benchmarks are taken from the HCA letter detailing 2014/15 FVA data. Whilst the forward forecast years have been graded according to the 2014/15 benchmark data, the Group is aware that benchmark data will move in future years. The ongoing organisational restructure, working environment review and expanded use of technology is aimed at ensuring the Group meets its VFM objective of having costs at no more than median levels.

		HCA Letter 2014/15 data		2015/16 Stat Accounts		2016/17 budget		2017/18 budget		2018/19 budget	
Cost per unit		FHL	FHW	FHL	FHW	FHL	FHW	FHL	FHW	FHL	FHW
Social housing	£000	3.30	4.41	3.09	3.03	2.88	3.32	2.74	3.24	2.59	3.21
Management cost	£000	1.31	1.55	1.43	1.44	1.28	1.14	1.18	1.11	0.97	1.10
Service charge	£000	0.09	0.15	0.09	0.19	0.08	0.16	0.08	0.16	0.08	0.16
Maintenance	£000	1.13	0.82	0.85	0.77	0.98	1.46	0.96	1.42	0.99	1.41
Major repairs	£000	0.37	1.76	0.45	0.52	0.25	0.46	0.25	0.45	0.28	0.45
Other social housing	£000	0.40	0.14	0.28	0.10	0.28	0.09	0.27	0.09	0.27	0.10

Key:	Top 25% least expensive	Median range	Top 25% most expensive

The table above shows that from 2014/15 to 2015/16, both FHL and FHW total social housing lettings cost has moved to the 25% least expensive range. For FHW, these costs move into the median range by 2016/17, whereas FHL continues to be in the least expensive range. FHW moves to median cost mostly due to maintenance cost movements.

FHL and FHW management costs are currently in the most expensive range. These costs will move into the median range by 2016/17 for FHW and 2017/18 for FHL as a result of lower project expenditure. Historically, the Group has invested heavily in strategic projects which contribute to higher management costs. The total strategic project investment over the period 2014/15 to 2015/16 was £5.3m. The investment forecast for the period 2016/17 to 2018/19 has reduced to £1.3m. This shows a positive impact when compared to the 2014/15 sector benchmark data.

Figures not reflected in the management cost per unit above are the savings that will arise from the Group restructure which started in July 2016. It is anticipated that up to £1.5m of recurring management costs may be saved through this process which will impact positively on future years.

Maintenance and major repairs costs per unit in the table above initially indicate that FHW are in the most expensive quartile from 2016/17 onwards when compared to the 2014/15 benchmark data. To identify whether this position is impacted by the classification of repairs into revenue or capital, a further analysis in the table below amalgamates the two repairs categories and then grades them according to the amalgamated benchmarks for 2014/15.

STRATEGIC REPORT (cont'd): Value for Money Self Assessment 2015-16

Cost per unit		HCA Letter 2014/15 data		2015/16 Stat Accounts		2016/17 budget		2017/18 budget		2018/19 budget	
		FHL	FHW	FHL	FHW	FHL	FHW	FHL	FHW	FHL	FHW
Maintenance	*£000*	1.13	0.82	0.85	0.77	0.98	1.46	0.96	1.42	0.99	1.41
Major repairs	*£000*	0.37	1.76	0.45	0.52	0.25	0.46	0.25	0.45	0.28	0.45
Total repairs	***£000***	**1.50**	**2.58**	**1.30**	**1.29**	**1.23**	**1.92**	**1.21**	**1.87**	**1.27**	**1.86**

Key: Top 25% least expensive | Median range | Top 25% most expensive

Overall, as shown in the table above, FHW's repair costs are within the median range by 2016/17 and FHL are within the least expensive range. There is a direct correlation between FHW being a younger LSVT and its level of major repairs. From 2015/16 the stock improvement programme ceased resulting in a move out of the top 25% most expensive category.

Further work will be carried out during 2016/17 to benchmark both FHL and FHW with other organisations having similar key contextual factors highlighted by the HCA and which have a significant impact on social housing lettings costs. These contextual factors include:

- % of supported housing;
- % of housing for older people;
- Date of largest stock transfer;
- LSVT age;
- Region with 50% + of social stock owned; and
- Annual Survey of Hours and Earnings.

The Group undertakes benchmarking with the sector global accounts annually. A key highlight from the most recent global accounts for the financial year ending 31 March 2015 is that the income levels of FHL and FHW were consistent with the sector whereas repairs expenditure and management costs were higher than the sector average. As shown in the cost per unit analyses above, it is anticipated that the savings identified in the new three year budgets for repairs costs and the reduction in project spend, along with the additional restructure savings not yet included, will re-align the management costs and repairs costs with the sector averages.

The Group has made financial gains of £4.8m against a target of £3.7m. This includes procurement cost savings, budget reductions, gains through property sales, income from diversified tenures such as market rents and effective management of rent arrears.

Past and future gains

Key business plan gains achieved over the past two years and future targets are shown below:

FHG - gains/losses	*Previous gains achieved*				*New target gains/losses*		
	2014/15 target £000	2014/15 actual £000	*2015/16 target £000*	2015/16 actual £000	*2016/17 target £000*	*2017/18 target £000*	*2018/19 target £000*
Income & sales increases	*1,211*	3,170	*2,414*	3,018	*208*	*1,645*	*(907)*
Cost savings & efficiencies	*115*	1,306	*1,155*	1,654	*1,381*	*51*	*(567)*
Gains/(losses) from leasing activity	*4*	16	*152*	136	*205*	*321*	*899*
Net gains/(losses)	*1,330*	4,492	*3,721*	4,808	*1,794*	*2,017*	*(575)*

STRATEGIC REPORT (cont'd): Value for Money Self Assessment 2015-16

Gains are expected over the next two years, primarily through property sales and income from diversified tenures such as market rents and private sector leasing. These expected gains are after absorbing the second year of 1% rent reductions. The impact of the rent reduction does however result in an expected drop in income in 2018/19 of £907k.

Costs in 2018/19 are expected to rise as a result of inflation. Cost savings in 2017/18 and 2018/19 are currently being refined as part of the organisational restructure.

Before setting saving targets, the Board will assess the impact on the business. Once this assessment has been made efficiency targets will be built into next year's VFM assessment.

Future plans for gains made

	Previous investments				*New investments*		
FHG	*2014/15 target £000*	2014/15 actual £000	*2015/16 target £000*	2015/16 actual £000	*2016/17 target £000*	*2017/18 target £000*	*2018/19 target £000*
Investments made							
Strategic projects	*4,468*	2,909	*2,487*	2,462	*938*	*280*	*155*
New homes	*13,415*	6,785	*14,518*	15,451	*25,084*	*12,591*	*24,823*
Total	*17,883*	9,694	*17,005*	17,913	*26,022*	*12,871*	*24,978*
Funded by							
Gains made	*1,330*	4,492	*3,721*	4,808	*1,794*	*2,017*	*0*
Net operating cash flow and loan drawdowns	*16,553*	5,202	*13,284*	13,105	*24,228*	*10,854*	*24,978*
Total	*17,883*	9,694	*17,005*	17,913	*26,022*	*12,871*	*24,978*

The Group aims to deliver over 1,000 new homes during the next three years and has therefore set aside the new refinance monies to achieve this.

Strategic project expenditure continues although this is at a lower level than previous years in order to accommodate the impact of the 1% rent reduction and bring the Group's management costs more in line with sector averages in the future. The table below highlights some key projects where the Group is re-investing gains made.

Investment	Financial	Environmental	Social
Our Futures Way			
£264k	✓ Transform the operating environment ✓ Reduce operating costs	✓ Reduce waste ✓ Reduced carbon footprint	✓ Enhancement of customer experience through more contact with frontline staff.
ICT asset replacement programme			
£161k	✓ Lower maintenance costs	✓ Carbon reduction	✓ Enhance mobile working ✓ Increase time available for frontline staff to be customer facing

Front line services (absolute costs)

When assessing VFM, performance is reviewed with cost. The tables below summarise 'Housemark' current and previous year's benchmarked costs for frontline services, compared against a peer group of 33 other Midlands based LSVTs, chosen for their comparability in terms of size, geographical location and age. To ensure an unbiased comparison is made, the peer group selected by Housemark as comparable organisations has continued to be utilised.

STRATEGIC REPORT (cont'd): Value for Money Self Assessment 2015-16

Front line services (absolute costs)

When assessing VFM, performance is reviewed alongside cost. The tables below show a summary of 'Housemark' current and previous year's benchmarked costs for frontline services, compared against a peer group of 33 other Midlands based LSVTs, chosen for their comparability in terms of size, geographical location and age. To ensure an unbiased comparison is made, the peer group selected by Housemark as comparable organisations has continued to be utilised.

The tables show direct costs per unit across frontline services, where 'Q' relates to quartile performance. The target is to have costs at no more than median levels.

FHL - front line service absolute costs

Frontline services		Direction of Travel	£ Direct cost per unit 2015	Target met		£ Direct cost per unit 2014	Target met		£ Direct cost per unit 2013	Target met
Responsive repairs and void works	Q1	↓	374	🟢	Q1	503	🟢	Q1	481	🟢
Major repairs and cyclical maintenance	Q2	↑	1,233	🟢	Q1	1,082	🟢	Q1	872	🟢
Rent arrears & collection	Q2	↓	66	🟢	Q3	73	🟢	Q1	56	🟢
Anti-social behaviour	Q1	↓	28	🟢	Q2	31	🟢	Q3	31	🔴
Lettings	Q1	→	22	🟢	Q1	22	🟢	Q1	16	🟢
Tenancy Management *	Q3	→	54	🔴	Q3	54	🔴	Q3	58	🔴
Resident involvement	Q1	↑	32	🟢	Q1	29	🟢	Q1	29	🟢
Estates services	Q1	↑	72	🟢	Q1	70	🟢	Q1	64	🟢

** Whilst these costs are above median, these areas are being reviewed through the Our Futures Way initiative and organisational restructure.*

STRATEGIC REPORT (cont'd): Value for Money Self Assessment 2015-16

FHW - front line service absolute costs

Frontline services		Direction of Travel	£ Direct cost per unit 2015	Target met		£ Direct cost per unit 2014	Target met		£ Direct cost per unit 2013	Target met
Responsive & void repairs	Q1	↑	564	🟢	Q2	552	🟢	Q1	487	🟢
Major & cyclical repairs **	Q4	↓	2,133	🟢	Q4	2,171	🟢	Q4	2,462	🟢
Rent arrears & collection **	Q4	↑	104	🟢	Q4	97	🟢	Q4	79	🟢
Anti-social behaviour	Q1	↓	11	🟢	Q1	14	🟢	Q1	15	🟢
Lettings	Q2	↓	28	🟢	Q3	33	🟢	Q3	30	🟢
Tenancy Management *	Q4	↑	89	🔴	Q3	64	🔴	Q4	86	🔴
Resident involvement *	Q3	↑	41	🔴	Q2	38	🟢	Q1	33	🟢
Estates services *	Q3	↑	115	🔴	Q2	98	🟢	Q1	78	🟢

* *Whilst these costs are above median, these areas are being reviewed through the organisational restructure and Our Futures Way initiative*

** *Whilst costs are above median, the Board has taken the strategic decision to to invest in this area and consequently the target has been met*

Future plans

- To maintain our healthy operating margin.
- To maintain high employee engagement scores.
- To have process measures which give accurate information.
- To demonstrate year on year improvement in the efficiency and effectiveness of our customer processes.

STRATEGIC REPORT (cont'd): Value for Money Self Assessment 2015-16

6.3 Great Places

VFM self assessment

The Group has invested c. £14.6m into its homes during the year and the APE system continues to support the Group's Active Asset Management strategy. This considers asset sustainability and NPV to inform decision making around future asset investment. Whilst NPV values have fallen from 2014/15 due to the 1% rent reduction, overall these remain positive. The financial amber assessment reflects void relet times out of target which increases the Group's rent loss. Plans are in place to address this.

The Group is working in partnership with other sectors to promote the health and well-being of customers and it obtained ISO14001 registration in the year to help drive environmental efficiencies.

Performance against 2014/15 targets

Key VFM actions identified in prior year	Progress to date	Status
Progress environmental improvements to achieve the ISO 14001 standard. This will help the Group to demonstrate its commitment to reducing its carbon footprint.	The Group obtained a Certificate of Registration in December 2015. ISO14001 targets efficiencies via the five most significant sources, namely use of vehicles, electricity, paints, waste and control of invasive species (e.g. Ragwort). The Group continues to monitor its carbon footprint, where measurable, for example vehicle emissions and use of recycled paint.	Complete
Support the health and well-being of customers by working in partnership with other sectors including health and government.	FHL and FHW are represented on the Health and Wellbeing Working Group locally and although still in the initial partnership stage, are seeking ways in which to enhance working relationships with local GPs and the Clinical Commissioning Group ('CCG'), with a primary focus on external funding opportunities to support visiting services and promote Telecare service provision (outside of current SP funding). In February 2016, a Group representative was appointed for 12 months to sit on the Amber Valley Health Partnership funding panel which reviews funding for local initiatives to improve health and wellbeing of residents living in Amber Valley. FHW have met with First for Wellbeing, a new Community Interest Company ('CIC') set up in Northamptonshire which has a shared vision for improving and supporting the overall wellbeing of the Group's customers, colleagues and communities across the county. The CIC consists of Northamptonshire County Council, Northamptonshire Healthcare Trust and the University of Northamptonshire. Opportunities for working together will be explored further at a meeting scheduled for September 2016. FHW are active partners on the Daventry Health and Wellbeing Board and have attended all four of the meetings held per year. Several meetings have been held with CCG, Public Health, CVS (voluntary services) and Amber Valley Borough Council Health and Housing service and the NHS. The purpose of these meetings is to develop closer working relationships to enable collaboration, reduce work duplication and develop a single point of contact. These meetings are now ongoing.	Complete
Support our communities with opportunities for training and development through our training partner Access Training.	The Group's procurement channel promotes the use of Access Training for back office training, in line with the employment pathway.	Complete

STRATEGIC REPORT (cont'd): Value for Money Self Assessment 2015-16

Key VFM actions identified in prior year	Progress to date	Status
The Group will continue to utilise HACT where appropriate and other relevant measures for assessing social value and supporting delivery of employability, health and well being.	The Group set employability targets in February 2016 with delivery against these assessed at the year end. *Employability* During the year, FHW used Access Training, its preferred provider of training to customers, to deliver 5 employability courses. Access Training are also providing qualification support to 8 apprentices within the Group, with two more under recruitment. They have supported apprenticeship recruitment via the National Apprenticeship website. They have also delivered a Level 2 Health and Wellbeing qualification to 5 employees on a free of charge basis. This will allow the service to be marketed on a wider level and help deliver a professional service. Access Training have also delivered a construction qualification to 10 Repairs Team members at FHL and one FGL member. They have supported employability with attendance at various careers fairs, some jointly with FHG. The Group continues to support the requirement of apprenticeship / employability within our contractors / supply chain by building relationships with all our contractors and suppliers and by attending the Supply Chain conference organised by FHG.	On target ●
Attract more people and re-let homes quicker by improving public perception of our offer through better marketing and communications.	Work ongoing. Marketing initiatives include the use of estate agents, Rightmove and social media. Futures Greenscape is also being used to improve the offer through decorating. The Group started advertising properties through social media (Facebook and Twitter) and received c. 22.7k website views in relation to its properties between 1 January to 1 June 2016.	On target ●

Performance 2015/16

The tables below set out some examples of how the Group has achieved sustained VFM in relation to FHL and FHW. This information is monitored by the Board and has a direct correlation on the Group's corporate objective of providing great places to live.

FHL

Measure	Upper quartile / future target *	*Direction of Travel*	*2015/16 Target*	2015/16 Actual	Target met	*2014/15 Target*	2014/15 Actual	*2013/14 Target*	2013/14 Actual
Average time to re-let properties (days)	*27*	↑	*≤ 27*	28.7	●	*≤ 27*	26.7	**	
% of tenants satisfied with their neighbourhood as a place to live	*90.7*	→	*≥ 85*	91.4	●	*≥ 85*	91.4	*≥ 91.1*	90.9

FHW

Measure	Upper quartile / future target *	*Direction of Travel*	*2015/16 Target*	2015/16 Actual	Target met	*2014/15 Target*	2014/15 Actual	*2013/14 Target*	2013/14 Actual
Average time to re-let properties (days)	*27*	↓	*≤ 27*	33.6	●	*≤ 27*	43.7	**	
% of tenants satisfied with their neighbourhood as a place to live	*90.7*	→	*≥ 85*	91.8	●	*≥ 85*	91.8	*≥ 91.1*	87.7

* *Based on 31 March 2015 benchmarking thresholds where measured consistently with Housemark definitions*

** *2013/14 reporting was based on the CORE definition (i.e. re-let taken from major works completion to re-let). Reporting from 2014/15 onwards reflects the full void period.*

STRATEGIC REPORT (cont'd): Value for Money Self Assessment 2015-16

Invested £14.6m in its homes, in line with the 30 year asset plan. ■

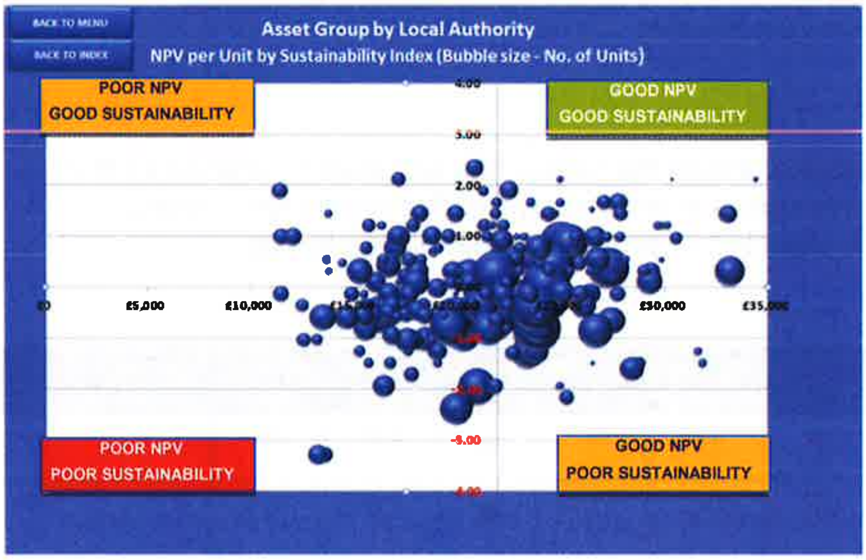
Delivered asset maximisation reviews and made strategic decisions (disposals). ■

Return on assets

Asset performance information on a property by property basis was quantified for the Group's stock for the first time last year in the Asset Performance Evaluation ('APE') system and has been updated this year. This system holds quantitative and qualitative data for all homes. Quantitative data is an individual Net Present Value ('NPV') calculation for each property and qualitative data is shown in the table below.

Sustainability area	Qualitative measures
Income	Rent arrears / SAP rating and Heating type (as an indicator of fuel poverty)
Housing management	Anti-social behaviour ('ASB') levels / Data from Indices of Multiple Deprivation on levels of crime / Distance from managing office
Demand	Resident satisfaction / Turnover rates / Access to local facilities & amenities / Waiting list & demand / Garage availability / open space / Development potential / Community feeling

The summary of current asset performance is shown in the bubble diagram below. The strategic considerations on properties in each quadrant of the chart are also summarised below.



The chart highlights that all of the Group's properties have a positive NPV over 30 years, with most stock having an NPV of £23k or more. This is indicative of strong financial performance.

Most of the asset groups cluster towards the centre of the chart, indicating consistent performance across the whole portfolio.

	Strategic considerations
GOOD NPV GOOD SUSTAINABILITY	Asset retention to support future business growth or asset disposal if the market value is high enough to generate additional business growth.
POOR NPV GOOD SUSTAINABILITY	Possible investment in assets to improve NPV or asset disposal if investment would not improve NPV.
GOOD NPV POOR SUSTAINABILITY	Possible community investment to improve the desirability of the location and the Group's ability to deliver sustainable communities or asset disposal if investment is not economically viable.
POOR NPV POOR SUSTAINABILITY	Possible asset disposal as demand may be low or investment in the asset and community / neighbourhood if economically viable.

STRATEGIC REPORT (cont'd): Value for Money Self Assessment 2015-16

The table below summarises the movement in average NPV since the first APE evaluation last year.

Company	APE 2014 (£)	APE 2015 (£)	Variance (£)
Average NPV per unit FHL and 5D	29,673	21,930	(£7,743)
Average NPV per unit FHW	30,617	21,440	(£9,177)
Group average NPV per unit	27,907	22,855	(£5,052)

The decrease in average NPVs since the last APE assessment is due to the 1% rent reduction last year and for the forthcoming three years. The decreases have been partly offset by revised profiling of major repairs expenditure over the next 30 years to maximise useful economic lives of key components and reduce non essential works. In addition, whilst the Group has begun to diversify its tenure, non social housing units do not significantly impact the overall Group averages.

Active Asset Management strategy

The latest APE analysis has highlighted the need to review all 14 sheltered housing schemes in more detail to consider investment / divestment options in order to maximise use of these assets. The Board has recommended that these strategic reviews be completed before approving any final investment / divestment decisions. The purpose of this is to allow the Group to prioritise the most strategically urgent decisions to ensure that work can be delivered on a fully funded basis. This will help to mitigate the risk of less urgent investments / divestments being made on a piecemeal basis, which may adversely impact on funding availability for more urgent work.

During the year, six strategic reviews have been undertaken which have included various NPV option appraisals such as dispose versus re-model versus tenure change versus demolish and rebuild.

In addition, the Group has been working actively with local authorities and funders to obtain necessary approvals to dispose or change tenure of individual properties as they become void in order to generate income to reinvest in social housing new development. This new approach is triggered if the void property in question requires more than £10k works to reinstate the condition of the property making it suitable to let. Void works of over £10k indicate a potential reduction in long term NPV to below average levels. The process is also triggered if a void occurs in a high value area, creating the opportunity for income maximisation to fund the social housing programme. All reviews consider various options, including financial and non-financial indicators. So far this year, approval has been obtained to dispose of 13 units, 7 of which have been sold, generating a positive NPV of £279k after accounting for lost future rental income and long term maintenance costs saved. One property has been converted to market rent as doing so increased its NPV. A further 46 properties have been identified for consideration once they become void so appraisals have not yet been completed for these. The additional resources generated will be used to fund the social housing development programme.

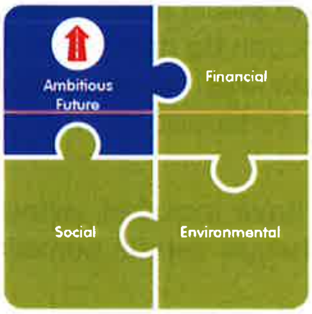
STRATEGIC REPORT (cont'd): Value for Money Self Assessment 2015-16

Future plans

- Invest a further £40m between 2015 and 2018 in maintaining and improving homes.
- Maintain the quality of properties in line with the 30 year asset plan.
- Continue to embed active asset management, identifying opportunities for income generation through disposals and maximise asset performance through evaluation of options.
- Continue to provide training and employability opportunities through apprenticeships and volunteering programmes and the continued development of the Group's training company.
- Assist ≥10 trainees into part time work. The social ROI has to be at least twice the cost (measured through HACT or an equivalent model).
- Assist ≥10 trainees into full time work. The social ROI has to be at least twice the cost (measured through HACT or an equivalent model).

6.4 Ambitious Futures

VFM self assessment



During the year, 70 homes were delivered against a target of 65. A Group refinance post year end has increased the business growth fund by £53.5m and during the year, the Group introduced an Asset Investment Committee to oversee investment decisions.

The Group continues to utilise the APE model to inform stock investment decisions. This considers NPV as well as some environmental factors to assess asset performance.

Performance against 2014/15 targets

Key VFM actions identified in prior year	Progress to date	Status
Continue to embed the APE system to identify opportunities for asset investment or disposal and to use surpluses to subsidise business growth.	Six strategic reviews have been completed on a total of 175 properties, including sheltered units, to determine the most viable future use of assets and land. Further work is being undertaken to assess future demand and obtain land valuations. In addition, six void properties have been identified for a strategic decision on the most viable future use of the asset. Some are in the process of being disposed whilst others are being converted to market rent tenures.	On target
The Group has joined a development benchmarking club. An annual report will be available next year which will allow a comparison of costs and an assessment of whether the Group's development costs are in line with median.	The annual report received for 2015/16 was insufficient to enable the Group to assess costs in relation to peers. The size of the data set was inadequate and the quality of data was limited therefore restricting the ability to draw valid conclusions. Consequently, the Group is no longer participating in the development benchmarking club.	N/A Action superseded

STRATEGIC REPORT (cont'd): Value for Money Self Assessment 2015-16

Key VFM actions identified in prior year	Progress to date	Status
Set up an Investment Committee to consider all future investment decisions.	The Group introduced an Asset Investment Committee from October 2015 to oversee its asset investment decisions.	Complete ●
Utilise the Group's funds to deliver business growth plans and tenure diversification.	A Group-wide refinance has been completed, increasing the business growth fund by £53.5m.	Complete ●

Performance 2015/16

The tables below set out some examples of how the Group has achieved sustained VFM in relation to FHL and FHW. This information is monitored by the Board and has a direct correlation on the Group's corporate objective of building new homes (Ambitious Futures).

FHL

Measure	Upper quartile / future target *	*Direction of Travel*	*2015/16 Target*	2015/16 Actual	Target met	*2014/15 Target*	2014/15 Actual	*2013/14 Target*	2013/14 Actual
New homes developed	*55*	↓	≥ *55*	49	●	≥ *65*	52	≥ *68*	97

FHW

Measure	Upper quartile / future target *	*Direction of Travel*	*2015/16 Target*	2015/16 Actual	Target met	*2014/15 Target*	2014/15 Actual	*2013/14 Target*	2013/14 Actual
New homes developed	*10*	↑	≥ *10*	21	●	≥ *30*	17	≥ *10*	15

142 Private Sector Leased units are in management.

The Group also started 248 units on site in 2015/16.

Future plans for 2016/17

- Invest £62m (net investment after accounting for grant income and sales receipts) into building over 1,000 new homes over the next 3 years. This will be funded through operating cash flows, existing and new loan facilities, surpluses generated through active asset management, diversified tenures, sales income and budget gains.
- Up to 40% of new build programme to be social housing, 27% market rent, 11% market sales and 22% shared ownership.
- 309 new homes to start construction in 2016/17 and 221 to be completed.
- Further develop delivery of social enterprises, training and education for communities.
- Continue to manage units on behalf of private landlords.

STRATEGIC REPORT (cont'd): Value for Money Self Assessment 2015-16

7. Conclusion

From this self assessment the Board draws the following key conclusions:

1. **The Group complies fully with the VFM Standard.**

2. **VFM is embedded in decision making and the culture and organisation of the Group** and demonstrates a sustained improvement trend with future plans made to improve VFM further.

3. **Return on assets:** Comprehensive information on asset returns, including financial and social returns, is reviewed to support informed investment decisions.

4. **Performance management and scrutiny function:** The Group's functions remain effective at driving and delivering improved VFM and performance. Whilst some of the VFM actions that were set for 2015/16 have been completed, the Board recognise that other actions will be delivered over several years. In most cases however, actions remain on target and in the event of slippage, corrective actions put in place to address this. Overall, most performance standards set for 2015/16 have been achieved. These include:

   - £4.8m gains made during the year enabling management of 1% rent cut, better utilisation of loans, and supporting future investments, including new homes;
   - The Group continues to deliver upper quartile performance across numerous areas when benchmarked against comparative organisations;
   - The Group achieved its best ever arrears performance to 31 March 2016 and won the 'Outstanding approach to income management' award (UK Housing Awards 2016);
   - The majority of customers are satisfied with the Group's services, 95.3% at FHL and 94.6% at FHW, against the 85% target;
   - No service areas have delivered low performance at high cost; and
   - Benchmarking has also highlighted that costs are mostly either at or below median levels and where costs exceed median, they are directly linked to key aims within the Plan or have been targeted for future cost reduction.

5. **VFM remains an ongoing process across the Group.** Efficiency targets for future years exist and continue to be enhanced to meet the evolving challenges that the Group and the sector as a whole face, including Brexit. These targets will help to drive continued upper quartile performance across the business, enhance the use of the Group's asset base and deliver more homes.

STRATEGIC REPORT (continued)

Operations

Asset Management
During the year the Group invested £3.4 million (2015: £3.7 million) in improving 349 properties in order to continue to meet the Decent Homes Standard.

Supported Housing
The Group provides accommodation for approximately 3,134 older people, including a warden and lifeline service. In addition, the Group provides lifeline or telecare services for approximately 1,000 other people. Both FHL and FHW have secured 'A' rating for the supported housing service.

Neighbourhoods
The Group operates its front line services on a neighbourhood basis. Neighbourhood management will support the Group's vision by:

- Developing closer working relationships with residents and partners, and developing a more detailed knowledge of neighbourhoods.
- Working with residents and partners to improve neighbourhoods.
- Engaging with tenants and other stakeholders to help create inclusive neighbourhoods.
- Adopting more proactive management practices to tackle problems and threats.
- Focusing resources on responding to neighbourhood issues identified in consultation with residents.
- Working in partnership with other stakeholders to produce holistic solutions to neighbourhood problems.
- Building improved community safety into neighbourhood investment and service planning.

Finance

Overview
FHL and FHW are required to update and agree business plans with their funders on an annual basis. All companies' loan covenants and annual budgets are driven by the business plan.

The key parameters within the business plans are therefore the year that the peak debt occurs together with the amount of the peak debt and the year in which debt repayment occurs. In respect of the approved business plan for Futures Homescape, the peak debt is £124.0 million in year 2019-20 and debt repayment occurs in year 2036-37. The business plan for FHW has peak debt of £48.1 million in year 2018.19 and debt repayment occurs in year 2032-33.

STRATEGIC REPORT (continued)

Table 1 – Group highlights, year on year summary

Consolidated Income and Expenditure Account	**2016 £'000**	**2015 £'000 Restated***	**2014 £'000 Restated**	**2013 £'000 Restated**	**2012 £'000 Restated**
Total Turnover	45,837	44,907	42,366	40,112	36,826
Income from lettings	43,306	42,119	40,462	37,993	35,225
Operating surplus/(deficit)	12,246	11,057	10,179	10,126	6,719
Surplus/(deficit) for the year transferred to reserves	12,937	2,457	7,391	4,135	1,412

Consolidated Statement of Financial Position	**2016 £'000**	**2015 £'000 Restated***	**2014 £'000**	**2013 £'000**	**2012 £'000**
Housing Properties, net of depreciation	143,093	134,908	129,500	119,475	110,916
Other fixed assets	1,426	1,990	1,506	1,232	1,385
Fixed assets net of capital grants and depreciation	144,519	136,898	131,006	120,707	112,301
Net current assets/(liabilities)	9,349	8,056	(2,025)	(2,008)	(5,544)
Total assets less current liabilities	153,868	144,954	128,981	118,699	106,757
Creditors (due over one year)	(145,528)	(146,185)	(138,028)	(134,541)	(128,955)
Pension liability	(8,748)	(12,114)	(6,755)	(7,351)	(5,128)
Total net assets	(408)	(13,345)	(15,802)	(23,193)	(27,326)
Revenue reserve	(408)	(13,345)	(15,802)	(23,193)	(27,326)
Total reserves	(408)	(13,345)	(15,802)	(23,193)	(27,326)

*The figures for prior years have been restated as a result of the introduction of Financial Reporting Standard 102.

STRATEGIC REPORT (continued)

Financial KPIs

	2016	2015	2014	2013	2012
EBITDA (£'000) *	17,876	16,039	15,722	15,295	10,480
EBITDA % (EBITDA as % of interest payable)	428%	351%	333%	318%	245%
Average interest rate % on debt	2.47	3.08	3.83	4.09	3.10
Net debt per unit (£'000)	15	15	14	14	13

Accounting Policies

The Group's principal accounting policies are set out on pages 49 to 54 of the financial statements. There were no significant changes to accounting policies in the current year.

Shared ownership properties are 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 proceed included in turnover. The remaining element is classed as fixed asset and included in housing properties at cost, less any provisions needed for depreciation or impairment.

Events after the end of the reporting period

On 1 April 2016 FHL agreed an increase in the loan facility to £144m. This is an increase of £50m which will be used to expand the Company's development programme. Five Doorways Homes, on 31 May 2016, has also agreed a new loan facility of £3.5m. These funds will be on lent to Five Doorways' subsidiary Limehouse Developments at commercial rates to fund the development of properties for outright sale.

Housing properties

At 31 March 2016 the Group owned 8,946 housing properties (2015: 8,921). The properties were carried in the consolidated statement of financial position at cost (after depreciation and capital grant) of £142.8 million (2015: £134.9 million). Investment in housing properties this year was funded through a mixture of social housing grant, loan finance and reserves.

Pension costs

The Group participates in two defined benefit pension schemes, the Derbyshire County Council Pension Fund (DCCPF) and the Northamptonshire County Council Pension Fund (NCCPF). The Group has contributed to the schemes in accordance with levels, set by the actuaries, of between 8.75% and 12.6% for the Derbyshire scheme and 16.8% for the Northamptonshire scheme.

The Group also provides a defined contribution scheme for staff that are not entitled to join the defined benefit schemes. The scheme is administered by Scottish Widows with the Group making contributions to the scheme ranging from 3% to 18.9% depending on the age of, and contribution made by, the employee. The Group will continue to provide appropriate pension arrangements for its staff.

STRATEGIC REPORT (continued)

Payment of creditors

In line with government guidance, the Group's policy is to pay purchase invoices within 30 days of receipt, or earlier if agreed with the supplier.

Capital structure and treasury policy

The Group's long term funding requirements are forecast via the business plans in respect of Futures Homescape and Futures Homeway. Essentially the stock transfer business model assumes that debt will increase in the initial stages of the business to fund the purchase of stock and the improvement programme, after which it will gradually be repaid.

The Group had borrowings of £129.8 million as at 31 March 2016 (2015: £130.5 million), offset by short term investments and cash of £15.8 million (2015: £14.4 million). Of the £129.8 million of debt 63.71% £82.7 million (2015: £86.4 million) was held at fixed rates as at the 31 March 2016.

The fixed rate debt held is subject to the following interest rates and maturities:

Futures Homeway Fixed Debt

Amount £'000s	Interest	Start	Maturity
15,000	4.96%	6 November 2007	6 November 2033
11,475	4.43%	7 July 2010	6 February 2025
9,000	1.62%	8 November 2012	8 August 2017
35,475			

Futures Homescape Fixed Debt

Amount £'000s	Interest	Start	Maturity
15,725	4.44%	14 August 2012	14 February 2025
7,500	4.60%	25 February 2003	25 February 2018
2,000	5.04%	28 October 2004	29 October 2029
2,000	4.93%	8 December 2004	9 December 2024
5,000	4.58%	25 July 2005	25 July 2025
5,000	4.40%	23 January 2006	23 January 2019
10,000	4.70%	7 November 2008	7 November 2028
47,225			

Futures Homescape borrows exclusively from a loan syndicate made up of the Royal Bank of Scotland and the Nationwide and Newcastle Building Societies – with whom it has a £94 million debt facility in place. Futures Homeway borrows exclusively from the Royal Bank of Scotland with whom it has a £60 million debt facility in place.

STRATEGIC REPORT (continued)

The Group believes that the current debt position provides a good balance between protection against interest rate increases, and flexibility. As further drawings are made the proportion of fixed rate debt will be kept under review.

Risk and Uncertainties

The main risks that may prevent the Group achieving its objectives are considered and reviewed annually by the management team and Board as part of the corporate planning process. The risks are assessed in terms of their impact and probability. Major risks, presenting the greatest threats to the Group, are included in a corporate risk map, while other risks are included in team based risk maps.

Some of the key corporate risks are outlined in Table 2 below.

Table 2: Corporate risks

RISK	DETAILS	ACTIONS TO MITIGATE RISK
Government Policy, Welfare Reform and the EU Referendum	Certain recent policies and decisions made by the Government have had significant ramifications for the social housing sector. These include welfare reform changes such as introducing a benefit cap and the removal of automatic entitlement to help with housing costs for 18 to 21 year olds. The most significant welfare change affecting the sector is the introduction of Universal Credit. The Group has successfully accommodated the welfare changes already made and has prepared, as far is possible, for the phased introduction of Universal Credit. The biggest risk arising from the 2015 summer budget on the social housing sector was the revocation of the rent formula where rents rise by CPI plus 1% with it being replaced by a year on year reduction of 1% in rents for each of the next four years. The Group's business plans have been revised to accommodate this reduction and maintain the financial strength of the Group. The result of the EU referendum has introduced further uncertainty with regards to future Government policy. The implications of this on the social housing sector are presently uncertain.	Despite the significant loss of income and the strains placed on debt collection, the Group has been able to accommodate these challenges, maintain growth plans and financial robustness. The implications of the EU Referendum will continue to be assessed by the Group and actions taken when appropriate.

STRATEGIC REPORT (continued)
Table 2: Corporate risks (continued)

Government Policy, Welfare Reform and the EU Referendum (Continued)	The referendum risks for the Group include a potential increase in demand for social housing, the market for homes being sold on the open market ceasing to be profitable and difficulties in the Group's supply change. Other potential risks include the possibility that the Government may impose additional restrictions on rents and further welfare cuts.	
Right to Buy	The risk of losing social homes through Right to Buy has increased following the Government's announcement to extend this right to housing association tenants. The loss of social housing homes would compound an already critical shortage of affordable housing in the Group's operating areas.	The Group continues to develop new homes to replace those lost.
Health and Safety failures	The Group's operations expose it to potential health and safety issues if inappropriate procedures and controls are in place. These issues include failure to deliver gas safety, fire safety, water sanitation and operating in accordance with the Health and Safety at Work Act.	The Board prioritises Health and Safety and has ensured robust working practices are in place. The Board has a Health and Safety Champion and staff that are dedicated to maintaining health and safety. They oversee areas including employee training on health and safety and compliance with legislation. Gas Safety is also monitored as a key corporate performance indicator. The Group has consistently achieved 100% compliance with gas safety checks.

STRATEGIC REPORT (continued)
Table 2: Corporate risks (continued)

RISK	DETAILS	ACTIONS TO MITIGATE RISK
Impact of the economic climate on customers, suppliers and other stakeholders	The UK economy is operating in increasingly turbulent global framework following the EU Referendum this is compounded by significant public sector funding cuts. During turbulent economic times, there is an increase in the volume of fraud and attempted fraud which, if material, could compromise financial viability and / or cause reputational damage to the Group and the sector. Key stakeholders of the Group continue to be the local authorities with whom we work and they have been impacted by public sector cuts. These cuts ultimately affect the mutual customers we serve, for example through reduced or cancelled services.	The Group is continuing to deliver new social housing in the areas we operate. Whilst the cost of providing new social housing exceeds the investment needed to significantly reduce waiting lists and the demand for our services, through continued investment in new social housing, the portfolio of housing stock will increase over the coming years. The Group continues to operate to the highest governance standards and has in place a robust internal control framework. This framework is reviewed annually and tested externally through the Group's audit functions. Close working with local authorities continues to be a key ambition of the Group. This close working includes the aim of closer, more joined up working to enable better service delivery to our mutual customers.

STRATEGIC REPORT (continued)

Employees
The strength of the Group lies in the quality and commitment of its employees. In particular our ability to meet our objectives and commitments to tenants in an efficient and effective manner depends on their contribution.

The Group provides information on its objectives, progress and activities through regular briefings and team meetings.

The Group is committed to equal opportunities for all its employees and supports the employment of disabled people, both in recruitment and in the retention of employees who become disabled whilst in the employment of the Group.

The Group has adopted the Code of Practice on Race Equality arising from the Race and Housing Inquiry Challenge Report 2000.

Health and safety
The Board is aware of its responsibilities on all matters relating to health and safety. The Group has prepared detailed health and safety policies and provides staff training and education on health and safety matters.

Environmental policy
The Group operates a comprehensive environmental policy. During the year, various initiatives were undertaken to further reduce the impact the Group and its tenants have on the environment. For example, a programme of ground source heating was completed for tenants.

In addition, the Group has assessed itself against the requirements to become International Standard Organisation accredited and becoming ISO 14001 certified. The majority of requirements for ISO14001 accreditation are already implemented and embedded within the Group.

Tenant involvement
The Group actively encourages tenants' involvement in decision-making by promoting more formal mechanisms of tenant involvement. The Boards of the principal operating companies within Futures Housing Group have established effective reporting arrangements between tenants' representative bodies and the Boards.

Complaints
All companies within the Group have a clear and simple complaints policy. The Group has robust procedures to ensure that unresolved complaints are actively monitored and appropriate action taken to address the relevant issues.

The Social Housing Environment
The environment in which the Group operates is going through a period of significant change. These changes and challenges include a revised regulatory framework, changes to the welfare system, changes to right to buy legislation, the availability of affordable financing to support the delivery of social housing and reductions in rental income over the coming years. These have been further compounded by the result of the EU Referendum. Additional details are set out below:

STRATEGIC REPORT (continued)

Revised Regulatory Framework
The regulation of the sector has changed significantly over recent years and now focuses on the economic standards of governance and financial viability, value for money and rents.

Last year the HCA introduced more specific expectations on housing associations. These include the requirement to have a comprehensive asset and liabilities register and to undertake regular detailed multi-variant stress testing.

Further changes to the regulatory framework are expected during 2016/17, although at the time of writing these changes were unknown. As with previous amendments to the framework, the Group will ensure that it remains fully compliant.

The Group continues to operate to the highest standards and its Boards are able to demonstrate that they manage the Group under the principles of co-regulation underpinned by a robust governance framework. Following an in depth assessment the Group retained the highest G1/V1 rating.

Welfare Reform
The Government's plans to reform the welfare system are continuing, albeit against a backdrop of lobbying against the proposed changes.

The latest changes to welfare include the aim of reducing the cost of welfare by £12bn. To enable this the Government has put in a series of measures including a benefit cap of £20k and the option for registered providers to charge customers full market rent for households earning over £30k who live in a social home.

Despite the welfare changes that have already happened, the Group continues to manage the issue robustly with a focus on tenant debt prevention. The actions taken by the Group have delivered exceptional, rental arrears performance with current tenant arrears as a percentage of rent due being 0.71% and 0.96% in FHL and FHW respectively. It is recognised however that the welfare system changes are likely to increase rental arrears across the Group and a detailed project is ongoing to mitigate this risk.

Availability of long term affordable finance
The pricing of additional debt finance continues to be an issue for the sector. Main stream funders are no longer offering 30 year debt facilities and the facilities that are being offered are now at much higher prices than those available in recent years. In response, innovative funding mechanisms are being developed.

The Group has a robust mechanism for assessing its financing needs and monitors movements in the financial markets. This mechanism has resulted in refinancing FHL, with a new agreement signed 1 April 2016 to expand the delivery of new homes across multiple tenure forms.

Reducing rental income
The 1% reduction in rentals over the next four years is likely to have far reaching consequences for the sector and its ability to deliver new social housing. When compounded with other issues, such as the EU Referendum, the ability of the sector to help the Government meet its new homes target could be significantly compromised.

STRATEGIC REPORT (Continued)

EU Referendum

As set out in the corporate risks above, the impact of the EU Referendum result cannot, at this stage, be fully quantified. Known risks include the potential slowing of the market for homes being sold on the open market, an increase in the demand for social housing if the UK enters a recessionary period and possible issues arising within the Group's supply chain should the movement of goods across the EU start to encounter obstacles.

Statement of Compliance

In preparing this Strategic Report, the Board has followed the principles set out in the SORP Accounting by Registered Social Housing Providers (Update 2010).

In approving the Strategic Report the Board are also approving the Strategic Report in their capacity as the Board of the company.

The Strategic Report were approved by the Board on 19 September 2016 and signed on its behalf by:

Tony Taylor

Tony Taylor
Chair

Report of the Board

Board Members and Executive Directors

The Company's present Board Directors and Executive Directors of the Group and those who served during the period are set out on page 1. The Board Directors are drawn from a wide range of backgrounds, bringing together professional, commercial and local experience.

The Group's Executive Directors are the Chief Executive, the Director of Finance, the Group Strategic Director of Assets, the Executive Director Futures Homescape and the Executive Director Futures Homeway.

The Group Chief Executive is a member of the Chartered Institute of Housing and was also a Steering Group Member of PlaceShapers, a nationwide lobbying Group for community focused housing associations.

The Group's Executive Directors hold no interest in the Company's shares or those of the Group's members and act as executives within the authority delegated by the Boards.

The Company has insurance policies that indemnify its Board Directors and Executive Directors against liability when acting for the Company.

Service contracts

The Chief Executive and other Executive Directors are appointed on permanent contracts. Their notice periods range from four to six months.

Pensions

The Group's Executive Directors are members of either the Derbyshire County Council Pension Fund or the Northamptonshire County Council Pension Fund, both defined benefit pension schemes. The Executive Directors participate in the schemes on the same terms as all other eligible staff. The Company contributes to the schemes on behalf of its employees.

The Group's Executive Directors are entitled to other benefits such as the payment of a car allowance, and private medical insurance.

Details of Group's Executive Directors' emoluments are included in note 10 to the audited financial statements.

Donations

Futures Housing Group made charitable donations of £16,568 in the year (2015: £15,391). The Group made no political donations.

Report of the Board (continued)

Going concern

The Group's business activities, its current financial position and factors likely to affect its future development are set out within this Strat and Board Report. The Group has in place long-term debt facilities (including £24.2million of undrawn facilities at 31 March 2016), which provide adequate resources to finance committed reinvestment and development programmes, along with the Group's day to day operations. The Group also has a long term business plan which shows that it is able to service these debt facilities whilst continuing to comply with lenders' covenants.

As set out previously the company provides back-office services to its subsidiaries, the cost of the providing these services and any intercompany balances are contained within the individual subsidiaries business plans which as outlined above provide adequate resources to finance the company's day to day operations.

On this basis, the Board has a reasonable expectation that the Group and Company has adequate resources to continue in operational existence for the foreseeable future, being a period of 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.

Legal compliance

The Board recognises the Group's responsibility to ensure ongoing legal compliance as a result of the law constantly being updated. It also recognises the HCA's Governance and Financial Viability Standard and the importance of effective governance arrangements to ensure that all of the Group's registered providers of social housing adhere to all relevant law.

The Group commissioned solicitors, Anthony Collins LLP, to assist in assessing the extent to which it complies with relevant English law. This process involved the use of a legal compliance checklist, designed to highlight any potential legal non-compliance in relation to the Group's core business. Whilst this assessment did not cover tax law, adherence to tax accounting rules is considered separately through the annual financial statements audit.

In July 2016, Anthony Collins submitted a report to the Group on 'Governance and Financial Viability Standard Requirements - Compliance with Relevant Law'. The Group Audit & Risk Committee received the report which commented on 21 areas (including the Modern Slavery Act 2015). It concluded that no significant issues had been identified requiring immediate or significant action to ensure legal compliance.

Internal controls assurance

The Board acknowledges its overall responsibility for establishing and maintaining the whole system of internal control and for reviewing its effectiveness. This responsibility applies to all organisations within the Group.

The systems of internal control are designed to manage, rather than to eliminate, the risk of failure to achieve business objectives, and to provide reasonable, but not absolute, assurance against material misstatement or loss.

Report of the Board (continued)

Internal controls assurance (continued)
The process for identifying, evaluating and managing the significant risks faced by the Group is ongoing, and has been in place throughout the period commencing 1st April 2015 up to the date of approval of the annual report and financial statements. The Board and the Group Audit and Risk Committee receive and consider reports from management on these risk management and control arrangements at meetings throughout the year.

Key elements of the control framework include:

- Board approved terms of reference and delegated authorities for the Group Audit and Risk Committee, Governance Committee, Remuneration Committee, Insight Committee and Asset Investment Committee;
- clearly defined management responsibilities for the identification, evaluation and control of significant risks;
- robust strategic and business planning processes;
- quarterly review of the Group's risk map by the Group Audit and Risk Committee;
- detailed financial budgets and forecasts for subsequent years;
- formal recruitment, retention, training and development policies;
- established authorisation and appraisal procedures for all significant new initiatives and commitments;
- a sophisticated approach to treasury management which is subject to external review on an annual basis;
- an ongoing framework of reviews across the Group to ensure quality and best practise is maintained;
- regular reporting to senior management and to the appropriate committee of key business objectives, targets and outcomes;
- fraud policy (including whistle blowing and corruption);
- Detailed policies and procedures in each area of the Group's work.

The Board cannot delegate ultimate responsibility for the systems of internal control, but it has delegated authority to the Group Audit and Risk Committee to review regularly the effectiveness of the systems of internal control. The Board receives regular reports from the Group Audit and Risk Committee together with minutes of the Committee's meetings.

The means by which the Group Audit and Risk Committee reviews the effectiveness of the systems of internal control include considering risk reports, internal audit reports, management assurances, the external audit management letter and specialist reviews on areas such as treasury, health and safety and efficiency. The Group Audit and Risk Committee has received the Chief Executive's annual review of the effectiveness of the system of internal control for the Group and subsidiaries, together with the annual report of the internal auditor, and has reported its findings to the Board. The Board has in turn conducted its own annual review of the effectiveness of the systems of internal control.

NHF Code of Governance

The Group has adopted and complies with the NHF Code 2015 as the code of governance for the Group's registered providers in compliance with the requirements of the regulatory Governance and Financial Viability Standard.

Report of the Board (continued)

Statement of the responsibilities of the Board for the annual report and financial statements

The Board is responsible for preparing the Strategic Report, the Report of the Board and the financial statements in accordance with applicable law and regulations.

Company law requires the Board to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws, including FRS102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"). Under company law the directors 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 Group and Company for that period. In preparing those financial statements, the Board is required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards and the Statement of Recommended Practice: "Accounting by Registered Social Housing Providers" (2014), have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the accounts on a going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position and enable them to ensure that the financial statements comply with the Companies Act 2006 the Housing Regeneration Act 2008 and the Accounting Direction for Private Registered Providers and Social Housing 2015. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm that:

- so far as each of the directors is aware there is no relevant audit information of which the Company's auditors are unaware; and
- the directors have taken all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The Board is responsible for the maintenance and integrity of the corporate and financial information on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

External Auditors

Grant Thornton UK LLP were reappointed as auditors at the AGM on 22nd September 2015. A resolution to re-appoint Grant Thornton UK LLP will be proposed at the forthcoming Board meeting.

The report of the Board was approved by the Board on 19th September 2016 and signed on its behalf by:

Tony Taylor

Tony Taylor (Chair)

Independent Auditor's Report to the Members of Futures Housing Group Limited

We have audited the financial statements Futures Housing Group Limited for the year ended 31 March 2016 which comprise the consolidated and company statements of comprehensive income, the consolidated group and company statements of changes in reserves, the consolidated group and company statements of financial position, the consolidated statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS102 The Reporting Standard applicable in the UK and Republic of Ireland.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company'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 company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Board and the auditors of the Board

As explained more fully in the Statement of Responsibilities of the Board set out on pages 40 and 44, the Board is responsible for the preparation of the financial statements which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2016 and of the group's surplus and of the parent company's deficit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Independent Auditor's Report to the Members of Futures Housing Group Limited (continued)

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the report of the Board for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company's financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Grant Thornton UK LLP

John Golding
Senior Statutory Auditor.
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Bristol

23 SEPTEMBER 2016

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2016

	Note	2016 £'000	2015 £'000
Turnover: continuing activities	4	45,837	44,907
Operating costs	4	(33,591)	(33,850)
Operating surplus	3	**12,246**	**11,057**
Surplus on sale of housing properties	6	715	838
Interest receivable and other income	8	85	27
Interest payable and similar charges	9	(4,181)	(4,572)
Other finance costs	10	(403)	(302)
Surplus before taxation		8,462	7,048
Taxation	12	(42)	(57)
Surplus for the year		**8,420**	**6,991**
Actuarial gain/(loss) relating to the pension scheme	10	4,517	(4,534)
Total comprehensive income for the year		**12,937**	**2,457**

The accompanying notes form part of these financial statements.

Company Statement of Comprehensive Income

For the year ended 31 March 2016

	Note	2016 £'000	2015 £'000
Turnover: continuing activities	4	7,203	6,565
Operating costs	4	(7,407)	(6,563)
Operating surplus: continuing activities	4	**(204)**	**2**
Interest receivable and similar charges	8	6	8
Interest payable and similar charges	9	(9)	(10)
Gift Aid		-	(73)
Deficit on ordinary activities before taxation		(207)	(73)
Tax on deficit on ordinary activities	12	(30)	(36)
Deficit for the financial year		**(237)**	**(109)**

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Reserves

For the year ended 31 March 2016

	Group 2016 £'000	Group 2015 £'000	Company 2016 £'000	Company 2015 £'000
Balance as at 31 March 2015	(13,345)	(15,802)	(513)	(404)
Comprehensive income/(deficit) for the year	12,937	2,457	(237)	(109)
Balance as at 31 March 2016	(408)	(13,345)	(750)	(513)

The accompanying notes form part of the financial statements.

Consolidated Statement of Financial Position

At 31 March 2016	**Note**	**2016 £'000**	**2015 £'000**
Tangible fixed assets			
Housing properties	13	138,102	133,955
Other tangible fixed assets	14	1,305	1,622
Investment Properties	15	4,991	953
Investment in Associates	16	121	368
		144,519	136,898
Current assets			
Stock	17	52	52
Properties held for sale	18	475	248
Debtors	19	1,962	2,120
Cash at bank and in hand		15,840	14,436
		18,329	16,856
Creditors: Amounts falling due within one year	20	(8,980)	(8,800)
Net current assets		9,349	8,056
Total assets less current liabilities		153,868	144,954
Creditors: Amounts falling due after more than one year	21	(145,528)	(146,185)
Net pension liability	10	(8,748)	(12,114)
Total net liabilities		(408)	(13,345)
Reserves			
Income & expenditure reserve		(408)	(13,345)
Total reserves		(408)	(13,345)

The accompanying notes form part of these financial statements.

These financial statements were approved by the Board on the 19th September 2016 and signed on its behalf by:

Tony Taylor

Mike Stevenson

Futures Housing Group Limited (06293737)

Company Statement of Financial Position

At 31 March 2016	Note	2016 £'000	2015 £'000
Tangible fixed assets			
Other tangible fixed assets	14	260	377
Investments in Associates	16	121	368
		381	745
Current Assets			
Debtors	19	495	430
Cash at bank and in hand		90	106
		585	536
Creditors: Amounts falling due within one year	20	(1,716)	(1,794)
Net current liabilities		(1,131)	(1,258)
Total assets less current liabilities		(750)	(513)
Capital and reserves (non-equity)			
Revenue reserve		(750)	(513)
Total reserves		(750)	(513)

The accompanying notes on pages 49 to 90 form part of these financial statements.

These financial statements were approved by the Board on the 19th September 2016 and signed on its behalf by:

Tony Taylor

(Chair) Tony Taylor　　Mike Stevenson

Futures Housing Group Limited　(06293737)

Consolidated Statement of Cash Flows

For the year ended 31 March 2016	Note	2016 £'000	2015 £'000
Net cash generated from operating activities	28	17,175	15,713
Cash flow from investing activities			
Purchase of tangible fixed assets		(12,557)	(10,391)
Proceeds from sale of tangible fixed assets		1,387	1,697
Grants Received		421	968
Interest received		85	27
		(10,664)	(7,699)
Cash flow from financing activity			
Interest paid		(4,431)	(4,472)
New loans		-	7,500
Repayment of borrowings		(675)	-
		(5,106)	3,028
Increase in cash		1,404	10,187
Cash and cash equivalents at beginning of the year		14,436	4,249
Cash and cash equivalents at end of the year		15,840	14,436

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

1. Legal status

The Company is registered under the Companies Act 2006 and is a registered housing provider.

2. Accounting policies

Basis of accounting

The financial statements of the Group and Company are prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP). Including Financial Reporting Standard 102 (FRS 102) and the Statement of Recommended Practice: Accounting for Registered Social Housing Providers 2014, and comply with the Accounting Direction for Private Registered Providers of Social Housing 2015.

This is the first year that the accounts have been prepared under FRS102. Refer to note 35 for an explanation of the transition.

Going concern

The company's business activities, its current financial position and factors likely to affect its future development are set out within the Strategic Report. The Group has in place long term debt facilities (including £24million of undrawn facilities at 31 March 2016 and a £50m increase in the facility at 1 April 2016), which provide adequate resources to finance committed investment and development programmes, along with the Group's day to day operations. The Group also has a long term business plan which shows that it is able to service these debt facilities whilst continuing to comply with lenders covenants.

As set out in the Strategic Report the company provides back-office services to its subsidiaries, the cost of the providing these services and any intercompany balances are contained within the individual subsidiaries business plans which as outlined above provide adequate resources to finance the company's day to day operations.

On this basis the Board has a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future, being a period of twelve 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 preparing the financial statements, the directors have considered the fact that the Group and Company have net current liabilities and net liabilities at the reporting date. However having reviewed Group budgets, forecasts and available facilities, the directors consider that the Group has adequate resources to continue in operational existence for the foreseeable future, and therefore adopt the going concern basis in preparing the accounts.

Basis of consolidation

The Group accounts consolidate the accounts of the company and all its subsidiaries at 31 March 2016 in accordance with the principles of merger accounting as set out in FRS 102.

Notes to the Financial Statements (continued)

Turnover and revenue recognition
Turnover comprises rental income receivable in the year, service charges receivable in the year, income from shared ownership first tranche sales, sales of properties built for sale and other services included at the invoiced value (excluding VAT) of goods and services supplied in the year and revenue grants receivable in the year.

Rental income is recognised from the point properties become available for letting. Revenue grants are receivable when the conditions for receipt of agreed grant funding have been met. Charges for support services funded under Supporting People are recognised as they fall due under the contractual arrangements with Administering Authorities.

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

Taxation
The charge for taxation is based on the surpluses arising on certain activities which are liable to tax.

Deferred taxation
Deferred tax is recognised in respect of all timing differences at the reporting date, except as otherwise indicated.

Deferred tax assets are only recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

If and when all conditions for retaining tax allowances for the cost of a fixed asset have been met, the deferred tax is reversed.

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.

A deferred tax liability or asset is recognised for the additional tax that will be paid or avoided in respect of assets and liabilities that are recognised in a business combination. The amount attributed to goodwill is adjusted by the amount of deferred tax recognised.

Deferred tax relating to investment property that is measured at fair value is measured using the tax rates and allowances that apply to the sale of the asset, except for investment property that has a limited useful life and is held in a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time.

Deferred tax is calculated using the tax rates and laws that that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

Notes to the Financial Statements (continued)

Deferred taxation (continued)

With the exception of changes arising on the initial recognition of a business combination, the tax expense (income) is presented either in profit or loss, other comprehensive income or equity depending on the transaction that resulted in the tax expense (income).

Deferred tax liabilities are presented within provisions for liabilities and deferred tax assets within debtors. Deferred tax assets and deferred tax liabilities are offset only if:
- the Group has a legally enforceable right to set off current tax assets against current tax liabilities, and
- the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously.

Value Added Tax

The Group charged Value Added Tax (VAT) on some of its income and is able to recover part of the VAT it incurs on expenditure. The financial statements include VAT to the extent that it is suffered by the Group and not recoverable from HM Revenue and Customs. The balance of VAT payable or recoverable at the year-end is included as a current liability or asset.

Interest payable

Interest payable is charged to the statement of comprehensive income in the year.

Pensions

The Group participates in the Derbyshire County Council Pension Fund, a defined benefit pension scheme managed by Derbyshire County Council, the Northamptonshire County Council Pension Fund, a defined benefit pension scheme managed by Northamptonshire County Council, and a defined contribution scheme provided by Scottish Widows.

In relation to the defined benefit schemes, the current service costs and costs from settlements and curtailments are charged against operating surplus. Past service costs are spread over the period until the benefit increases vest. Interest on the scheme liabilities and the expected return on scheme assets are included net in other finance costs/income. Actuarial gains and losses are reported in the statement of comprehensive income.

Scheme assets are measured at fair values. Scheme liabilities are measured on an actuarial basis using the projected unit method and are discounted at appropriate high quality bond rates. The net deficit, adjusted for deferred tax, is presented separately from other assets on the statement of financial position. A net surplus is recognised only to the extent that it is recoverable by the Group.

In relation to the defined contribution scheme, the charges for the year represent the employer contributions payable to the scheme for the accounting period.

Notes to the Financial Statements (continued)

Housing managed on behalf of other landlords
The treatment of income and expenditure in respect of housing projects managed on behalf of other agencies depends on whether the Group carries the financial risk.

Where the Group carries the financial risk, all the project's income and expenditure is included in the Group's statement of comprehensive income.

Where the other landlord carries the financial risk, the statement of comprehensive income includes only that income and expenditure which relates solely to the Group.

Housing properties
Housing properties are held for the provision of social housing or to otherwise provide social benefit. Housing properties are properties available for rent and properties subject to shared ownership leases.

Properties are stated at cost less depreciation. Cost includes the cost of acquiring land and buildings, development costs and expenditure incurred in respect of improvements.

Works to existing properties which replace a component that has been treated separately for depreciation purposes, along with those works that result in an increase in net rental income over the lives of the properties, thereby enhancing the economic benefits of the assets, are capitalised as improvements.

Shared ownership properties are 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 asset and included in housing properties at cost, less any provisions needed for depreciation or impairment.

Depreciation of housing properties
Freehold land is not depreciated. The Group separately identifies the major components which comprise its housing properties and charges depreciation, so as to write-down the cost of each component to its estimated residual value, on a straight line basis, over its estimated useful economic life.

Where SHG has been allocated to a component; the depreciable amount is arrived at on the basis of original cost, less the proportion of SHG and other grants attributable to the component, less residual value.

The Group depreciates the major components of its housing properties over the following number of years:

Structure	2%
Roofs	2%
Soffits & Fascia	3%
Bathrooms	3%
Windows and doors	3%
Kitchen	5%
Heating	8%

Notes to the Financial Statements (continued)

Government grants

Government grants include grants receivable from the Homes and Communities Agency (the HCA), local authorities, and other government organisations. Government grants received for housing properties are recognised in income over the useful life of the housing property structure and, where applicable its individual components (excluding land) under the accruals model.

Grants relating to revenue are recognised in statement of comprehensive income over the same period as the expenditure to which they relate once reasonable assurance has been gained that the entity will comply with the conditions and that the funds will be received.

Grants due from government organisations or received in advance are included as current assets or liabilities.

Government grants received for housing properties are subordinated to the repayment of loans by agreement with the HCA. Government grants released on sale of a property may be repayable but are normally available to be recycled and are credited to a Recycled Capital Grant Fund and included in the statement of financial position in creditors.

If there is no requirement to recycle or repay the grant on disposal of the asset, any unamortised grant remaining within creditors is released and recognised as income in statement of comprehensive income.

Where individual components are disposed of and this does not create a relevant event for recycling purposes, any grant which as been allocated to the component is released to statement of comprehensive income. Upon disposal of the associated property, the Group is required to recycle these proceeds and recognise them as a liability.

Other grants

Grants received from non-government sources are recognised using the performance model. A grant which does not impose specified future performance conditions is recognised as revenue when the grant proceeds are received or receivable. A grant that imposes specified future performance-related conditions on the association is recognised only when these conditions are met. A grant received before the revenue recognition criteria are satisfied is recognised as a liability.

Impairment

Annually housing properties are assessed for impairment indicators. Where indicators are identified an assessment for impairment is undertaken comparing the asset's carrying amount to its recoverable amount. Where the carrying amount of an asset is deemed to exceed its recoverable amount, the asset is written down to its recoverable amount, this is likely to be the value in use of the asset based on its service potential. The resulting impairment loss is recognised as expenditure in income and expenditure. Where an asset is currently deemed not to be providing service potential to the association, its recoverable amount is its fair value less costs to sell.

Notes to the Financial Statements (continued)

Other tangible fixed assets
Depreciation is provided evenly on the cost of other tangible fixed assets to write them down to their estimated residual values over their expected useful lives. No depreciation is provided on freehold land. The principal estimated useful economic lives used for other assets are:

Freehold Buildings	2%
Furniture, fixtures and fittings	20%
Computers and office equipment	33%
Lifeline Equipment	20%
Tools and equipment	33%
Motor Vehicles	33%

Leased assets

Rentals payable under operating leases are charged to the statement of comprehensive income on a straight-line basis over the lease term.

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

Investment properties
Investment properties consist of commercial properties and other properties not held for the social benefit or for use in the business. Investment properties are measured at cost on initial recognition and subsequently at fair value as at the year end, with changes in fair value recognised in income and expenditure.

Financial instruments
Financial instruments which meet the criteria of a basic financial instrument as defined in Section 11 of FRS 102 are accounted for under an amortised historic cost model. Management has reviewed the Group's loan agreements and has deemed them to be basic financial instruments.

Non-basic financial instruments are recognised at fair value using a valuation technique with any gains or losses being reported in surplus or deficit. At each year end, the instruments are revalued at fair value, with movements posted to income and expenditure.

Investment in subsidiaries
Investments in subsidiaries are accounted for at cost less impairment in the individual financial statements.

Debtors
Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

Notes to the Financial Statements (continued)

Creditors
Short term trade creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

Stock
Stock is stated at the lower of cost and net realisable value.

Liquid Resources
Liquid resources are readily disposable current asset instruments.

3. Significant Judgements and Estimates

Preparation of the financial statements requires management to make significant judgements and estimates. The items in the financial statements where these judgments and estimates have been made include:

Significant management judgements
The following are the significant management judgements made in applying the accounting policies of the Group that have the most significant effect on the financial statements.

Capitalisation of property development costs
Distinguishing the point at which a project is more likely than not to continue, allowing capitalisation of associated development costs requires judgement. After capitalisation management monitors the asset and considers whether changes indicate that impairment is required. The total amount capitalised in the year was £6,141k.

Estimation uncertainty
Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Useful lives of depreciable assets
Management reviews its estimate of the useful lives of depreciable assets at each reporting date based on the expected utility of the assets. Uncertainties in these estimates relate to technological obsolescence that may change the utility of certain software and IT equipment and changes to decent homes standards which may require more frequent replacement of key components. Accumulated depreciation at 31 March 2016 was £38,602k.

Defined benefit obligation (DBO)
Management's estimate of the DBO is based on a number of critical underlying assumptions such as standard rates of inflation, mortality, discount rate and anticipation of future salary increases. Variation in these assumptions may significantly impact the DBO amount and the annual defined benefit expenses (as analysed in Note 10). The liability at 31 March 2016 was £8,748k.

Notes to the Financial Statements (continued)

4. Particulars of turnover, cost of sales, operating costs and operating surplus

Group – Continuing activities

Year ended 31st March 2016	Turnover 2016 £'000	Operating costs 2016 £'000	Operating surplus 2016 £'000
Social housing lettings	**43,306**	**(32,234)**	**11,072**
Other social housing activities			
Management and agency services	986	(895)	91
First tranche shared ownership sales	544	(179)	365
Profit on Sale of Other Fixed Assets	20	-	20
Other	242	(73)	169
	1,792	(1,147)	645
Non-social housing activities			
Lifeline	193	(120)	73
Garages	160	(49)	111
Market Rents	351	(33)	318
Other	35	(8)	27
	739	(210)	529
	45,837	**(33,591)**	**12,246**

Company

	Turnover 2016 £'000	Operating costs 2016 £'000	Operating surplus 2016 £'000
Other social housing activities			
Management services	7,203	(7,407)	(204)

Notes to the Financial Statements (continued)

4. Particulars of turnover, cost of sales, operating costs and operating surplus
Group – Continuing activities

Year ended 31st March 2015	Turnover 2015 £'000	Operating costs 2015 £'000	Operating surplus 2015 £'000
Social housing lettings	**42,119**	**(31,893)**	**10,226**
Other social housing activities			
Management and agency services	1,502	(1,400)	102
First tranche shared ownership sales	463	(296)	167
Profit on Sale of Other Fixed Assets	44	-	44
Other	136	(39)	97
	2,145	(1,735)	410
Non-social housing activities			
Lifeline	198	(120)	78
Garages	157	(48)	109
Other	288	(54)	234
	643	(222)	421
	44,907	**(33,850)**	**11,057**

Company

	Turnover 2015 £'000	Operating costs 2015 £'000	Operating surplus 2015 £'000
Other social housing activities			
Management services	6,565	(6,563)	2

Notes to the Financial Statements (continued)

4. Particulars of turnover, cost of sales, operating costs and operating surplus
Group – Continuing activities

Group Year ended 31st March 2016	General housing 2016 £'000	Sheltered housing 2016 £'000	Shared ownership 2016 £'000	Total 2016 £'000
Turnover from social housing lettings				
Rent receivable net of identifiable service charges	26,322	14,550	130	41,002
Service income	351	520	3	874
Charges for support services	-	938	-	938
Amortisation of government grants	492	-	-	492
Turnover from social housing lettings	**27,165**	**16,008**	**133**	**43,306**
Expenditure on social housing lettings				
Management	(8,481)	(4,665)	(51)	(13,197)
Services	(181)	(932)	-	(1,113)
Support	-	(1,066)	-	(1,066)
Routine maintenance	(2,998)	(1,642)	-	(4,640)
Planned maintenance	(1,785)	(1,111)	-	(2,896)
Major repairs expenditure	(2,476)	(1,153)	-	(3,629)
Bad debts	(139)	(79)	-	(218)
Depreciation of fixed assets	(3,426)	(1,975)	(74)	(5,475)
Operating costs on social housing lettings	**(19,486)**	**(12,623)**	**(125)**	**(32,234)**
Operating surplus on social housing lettings	**7,679**	**3,385**	**8**	**11,072**
Void losses	**(235)**	**(125)**	**(4)**	**(364)**

Notes to the Financial Statements (continued)

4. Particulars of turnover, cost of sales, operating costs and operating surplus
Group – Continuing activities

Group Year ended 31st March 2015	General housing 2015 £'000	Sheltered housing 2015 £'000	Shared ownership 2015 £'000	Total 2015 £'000
Turnover from social housing lettings				
Rent receivable net of identifiable service charges	25,587	14,154	153	39,894
Service income	350	507	5	862
Charges for support services	1	1,001	-	1,002
Amortisation of government grants	361	-	-	361
Turnover from social housing lettings	**26,299**	**15,662**	**158**	**42,119**
Expenditure on social housing lettings				
Management	(7,927)	(4,308)	(95)	(12,330)
Services	(181)	(827)	-	(1,008)
Support	-	(1,266)	-	(1,266)
Routine maintenance	(3,091)	(1,673)	-	(4,764)
Planned maintenance	(2,586)	(1,651)	-	(4,237)
Major repairs expenditure	(2,660)	(1,164)	-	(3,824)
Bad debts	(123)	(66)	-	(189)
Depreciation of fixed assets	(2,728)	(1,523)	(24)	(4,275)
Operating costs on social housing lettings	**(19,296)**	**(12,478)**	**(119)**	**(31,893)**
Operating surplus on social housing lettings	**7,003**	**3,184**	**39**	**10,226**
Void losses	**(275)**	**(148)**	**-**	**(423)**

Notes to the Financial Statements (continued)

5. Operating surplus

This is arrived at after charging	Group 2016 £'000	Company 2016 £'000	Group 2015 £'000	Company 2015 £'000
Depreciation of housing properties	4,757	-	3,937	-
Impairment of housing properties	60	-	-	-
Impairment of fixed asset investment	-	248		
Depreciation of other tangible fixed assets	1,039	299	676	277
Operating lease rentals				
- Buildings	377	-	356	-
- Equipment	7	-	5	-
- Vehicles	29	-	64	-
Auditors' remuneration (including irrecoverable VAT)				
- for audit services	35	35	44	44
- for non audit services (taxation)	7	7	6	6

Auditor's remuneration for the Group is borne by the parent undertaking.

6. Surplus on sale of fixed assets – housing properties

Group	2016 £'000	2015 £'000
Disposal proceeds	1,286	1,286
Carrying value of fixed assets	(571)	(448)
	715	838

Notes to the Financial Statements (continued)

7. Accommodation in management and development

Group

At the end of the year the accommodation in management for each class of accommodation was as follows:

	2016 No.	2015 No.
Social housing		
Social Rent	5,551	5,629
Affordable Rent	137	76
Supported & sheltered	3,134	3,136
Market Rent	46	9
Shared ownership	78	71
Total owned	8,946	8,921
Private Landlord	142	149
Total managed	9,088	9,070

The Group manages accommodation of 142 units on behalf of a number of private sector landlords during 2015-16.

The Group owns 3 housing units that are managed on its behalf under a business lease. Two of these units are managed by P3 and one is managed by Amber Trust.

8. Interest receivable and other income

	2016 Group £'000	2016 Company £'000	2015 Group £'000	2015 Company £'000
Interest receivable	85	6	27	8

Notes to the Financial Statements (continued)

9. Interest and financing costs

Group	2016 Group £'000	2016 Company £'000	2015 Group £'000	2015 Company £'000
Loans and bank overdraft	4,181	9	4,572	10

10. Employees

Average monthly number of employees expressed in full time equivalents (calculated based on a standard working week of 37 hrs):

	2016 Group No.	2016 Company No.	2015 Group No.	2015 Company No.
Administration	102	59	90	54
Development	3	3	3	3
Housing, support and care	88	-	98	-
Repairs	120	7	119	6
	313	69	310	63

Employee costs:

	2016 Group £'000	2016 Company £'000	2015 Group £'000	2015 Company £'000
Wages and salaries	8,830	2,853	8,579	2,513
Social security costs	709	262	689	230
Pension costs	1,857	282	1,583	272
	11,396	3,397	10,851	3,015

The majority of employees of Futures Homescape Limited are members of Derbyshire County Council Pension Fund (DCCPF) and employees of Futures Homeway are members of Northamptonshire County Council Pension Fund (NCCPF). These schemes were closed to new entrants from 1 July 2011; from that date the Group also participates in a scheme administered by Scottish Widows, this is a defined contribution scheme. The Group contributes between 3% and 13.8 dependant on the age of, and contribution made by, the individual employee.

A number of employees of Futures Homescape Limited and Futures Homeway Limited are seconded to Futures Housing Group, and a management charge is made to Futures Housing Group which for 2016 is £3.4m in respect of 69 employees (2015: £3.0m in respect of 63 Employees). On the basis that the constructive obligation rests with Futures Housing Group these costs are separately analysed above. As FHW and FHL remain responsible for their pension obligations no separate analysis of the related schemes' assets or liabilities is reported in the Company accounts.

Notes to the Financial Statements (continued)

10. Employees (Continued)

Derbyshire County Council Pension Fund

The DCCPF is a multi-employer defined benefit scheme, which is administered by Derbyshire County Council under the regulations governing the Local Government Pension Scheme (LGPS), a defined benefit scheme.

Triennial actuarial valuations of the pension scheme are performed by an independent, professionally qualified actuary using the projected unit method.

The most recent formal actuarial valuation was completed as at 31st March 2013.

The market value of Futures Homescape's share of scheme assets at that date was £22.3 million and the level of funding was 98%. The main actuarial assumptions used in the valuation were:

	% p.a.
Investment Return pre retirement	3.5%
Investment Return post retirement	3.5%
Pensionable Pay increases	3.2%
Rate of pension increases	2.2%

Contributions

The Company paid contributions at the rate of 13.8% during the year. The cost to the company, of contributions to the scheme in the period, amounted to £655,000 (£679,000 – 2015). Members' contributions vary between 5.5% and 12.5% of pensionable pay until 31st March 2016, depending on the circumstances of the employee.

Estimated employers' contributions to the DCCPF during the accounting period commencing 1 April 2016 are £656,000.

Notes to the Financial Statements (continued)

10. Employees (Continued)

Fair value and expected return on assets

The fair value and expected return on assets of the Company's share of DCCPF as at the 31st March 2016 were as follows: -

	Fair Value 2016 £'000	Expected Return % 2016	Fair Value 2015 £'000	Expected Return % 2015
Equities	19,511	3.5	18,889	6.7
Government bonds	4,182	3.5	4,107	3.3
Other Bonds	1,393	3.5	1,368	4.7
Property	1,672	3.5	1,369	4.8
Cash / liquidity	991	3.5	1,460	3.7
Other	124	3.5	182	3.7
	27,873		27,375	

Assumptions

The main financial assumptions used by the actuary were as follows: -

	2016 %	2015 %
Rate of inflation	2.2	2.4
Rate of increase in salaries	3.2	3.3
Rate of increase in pensions	2.2	2.4
Discount rate	3.5	3.2

Mortality assumptions

The post retirement mortality assumptions were based on the S1PA CMI 2009 data and these are used to value the benefit obligation at 31 March as determined by the actuary, for non-pensioners and pensioners.

	2016 No. of years	2015 No. of years
Current pensioners:		
Males	22.0	22.0
Females	24.2	24.2
Future pensioners:		
Males	24.1	24.1
Females	26.6	26.6

Notes to the Financial Statements (continued)

10. Employees (Continued)

Amounts recognised in the statement of financial position:

	2016 £'000	2015 £'000
Present value of funded obligations	(34,003)	(35,726)
Fair value of plan assets	27,873	27,375
	(6,130)	(8,351)
Present value of unfunded obligations	(11)	(12)
Net liability	(6,141)	(8,363)
Amounts in the statement of financial position		
Assets	-	-
Liabilities	(6,141)	(8,363)
Net liability	(6,141)	(8,363)

Amounts recognised in other comprehensive income

	2016 £'000	2015 £'000
Actuarial gains/(loss) in other comprehensive income	3,293	(3,634)

Analysis of the amount charged to operating surplus

	2016 £'000	2015 £'000
Current service cost	1,446	1,219
Past service losses	-	-
Total operating charge	1,446	1,219

Notes to the Financial Statements (continued)

10. Employees (Continued)

Analysis of the amount charged to other finance costs

	2016 £'000	2015 £'000
Expected return on pension scheme assets	884	1,043
Interest on pension scheme liabilities	(1,164)	(1,227)
Net charge	(280)	(184)

Movement in deficit during the year

	2016 £'000	2015 £'000
Company share of net scheme liabilities at start of period	(8,363)	(4,005)
Movement in year:		
Current service cost	(1,446)	(1,219)
Employer contributions	655	679
Other finance costs	(280)	(184)
Actuarial (loss) / gains	3923	(3,634)
Company share of net scheme liabilities at end of year	(6,141)	(8,363)

Changes in present value of defined benefit obligation:

	2016 £'000	2015 £'000
Opening defined benefit obligation (including unfunded obligations)	(35,738)	(28,083)
Current service cost	(1,446)	(1,219)
Interest cost	(1,164)	(1,227)
Contributions by members	(309)	(322)
Actuarial loss/(gain)	4,152	(5,489)
Past service gain	-	-
Benefits paid	491	602
Closing defined benefit obligation (including unfunded obligations)	(34,014)	(35,738)

Notes to the Financial Statements (continued)

10. Employees (Continued)

Changes in fair value of plan assets:

	2016 £'000	2015 £'000
Opening fair value of plan assets	27,375	24,078
Expected return on assets	884	1,043
Contributions by members	309	322
Contributions by employer	655	679
Actuarial (loss)/gain	(859)	1,855
Benefits paid	(491)	(602)
Fair value of assets at end of year	27,873	27,375

24 (2015: 30) of the Company's employees are members of the Northamptonshire County Council Pension Fund (NCCPF). This scheme was closed to new entrants from 1 July 2011, from this date the Company also participates in a scheme administered by Scottish Widows, this is a defined contribution scheme. The Company contributes between 3% and 18.9% dependant on the age of the individual employee. 24 of the Company's employees are members of the Scottish Widows Scheme. The parent company receives the services of 5 FHW employees (2015: 6) who are seconded to (and constructively employees of) FHG. These employees and their related costs are excluded from the information given above.

Northamptonshire County Council Pension Fund

The NCCPF is a multi-employer defined benefit scheme, which is administered by Northamptonshire County Council under the regulations governing the Local Government Pension Scheme (LGPS), a defined benefit scheme.

Triennial actuarial valuations of the pension scheme are performed by an independent, professionally qualified actuary using the projected unit method.

The most recent formal actuarial valuation was completed as at 31st March 2015.

The market value of the scheme's assets at that date was £1,547 million and the level of funding was 71%. The main actuarial assumptions used in the valuation were:

	% p.a.
Discount Rate	3.6%
Pensionable Pay increases	2.2%
Rate of pension increases	2.2%

Notes to the Financial Statements (continued)

10. Employees (Continued)

Contributions

The Company paid contributions at the rates of 18.9% during the period. The cost to the Company, of normal contributions to the scheme in the period, amounted to £275,000 (2015: £260,000). Members' contributions varied between 5.5% and 12.5% of pensionable pay until 31st March 2016, depending on the circumstances of the employee.

Estimated employers' contributions to the NCCPF during the accounting period commencing 1 April 2016 are £306,000.

Fair value and expected return on assets
The fair value and expected return on assets of the Company's share of NCCPF as at the 31st March 2016 were as follows: -

	Fair Value 2016 £'000	Expected Returns % 2016	Fair Value 2015 £'000	Expected Returns % 2015
Equities	4,043	3.6%	3,996	6.7%
Bonds	1,098	3.6%	999	3.5%
Property	520	3.6%	444	4.8%
Cash / liquidity	116	3.6%	111	3.7%
	5,777		5,550	

Assumptions

	2016 % per annum	2015 % per annum
Rate of increase in salaries	4.2	4.4
Rate of increase in pensions in payment	2.2	2.5
Discount rate	3.6	3.3
Inflation assumption	2.2	2.5

Mortality assumptions
The post retirement mortality assumptions used to value the benefit obligation at 31 March are based on the the PA92mc year of birth table plus one year, for non-pensioners and pensioners.

	2016 No. of years	2015 No. of years
Current pensioners:		
Males	22.3	22.3
Females	24.3	24.3
Future pensioners:		
Males	24.0	24.0
Females	26.6	26.6

Notes to the Financial Statements (continued)

10. Employees (Continued)

Amounts recognised in the statement of financial position:

	31 March 2016 £'000	31 March 2015 £'000
Present value of funded obligations	(8,384)	(9,301)
Fair value of plan assets	5,777	5,550
	(2,607)	(3,751)
Present value of unfunded obligations	-	-
Net liability	(2,607)	(3,751)
Amounts in statement of financial position		
Assets	-	-
Liabilities	(2,607)	(3,751)
Net liability	(2,607)	(3,751)

Amounts recognised in other comprehensive income

	31st March 2016 £'000	31 March 2015 £'000
Actuarial gains/(losses) recognised in other comprehensive income	1,224	(900)

Notes to the Financial Statements (continued)

10. Employees (Continued)

Analysis of the amount charged to operating surplus/(deficit)

	2016 £'000	2015 £'000
Current service cost and total operating charge	232	243

Analysis of the amount charged to other finance costs

	2016 £'000	2015 £'000
Expected return on pension scheme assets	186	208
Interest on pension scheme liabilities	(309)	(326)
Net finance cost	(123)	(118)

Movement in the deficit during the year	2016 £'000	2015 £'000
Opening net liability	(3,751)	(2,750)
Current service cost	(232)	(243)
Contributions	275	260
Other finance costs	(123)	(118)
Actuarial gains/(losses)	1,224	(900)
Closing net liability	(2,607)	(3,751)

Notes to the Financial Statements (continued)

10. Employees (Continued)

Changes in present value of defined benefit obligation:

	2016 £'000	2015 £'000
Opening defined benefit obligation	(9,301)	(7,489)
Current service cost	(232)	(243)
Interest cost	(309)	(326)
Contributions by members	(54)	(71)
Actuarial gain(loss)	1,366	(1,301)
Benefits paid	146	129
Closing defined benefit obligation	(8,384)	(9,301)

Changes in fair value of plan assets:

	2016 £'000	2015 £'000
Opening fair value of plan assets	5,550	4,739
Expected return	186	208
Actuarial gains/(losses)	(142)	401
Contributions by employer	275	260
Contributions by members	54	71
Benefits paid	(146)	(129)
Closing fair value of plan assets	5,777	5,550

Notes to the Financial Statements (continued)

11. Board Members and executive directors

	Basic Salary £'000	Benefits In kind £'000	Pension Contr'ns £'000	2016 Total £'000	2015 Total £'000
L Williams	151	13	21	185	179
M Sherman	110	11	15	136	134
I Skipp	107	10	15	132	136
P Parkinson	89	9	12	110	114
H Davies	21	2	4	27	106
Aggregate emoluments payable to executive directors	478	45	67	590	669

The emoluments of the highest paid executive director (the Group Chief Executive), excluding pension contributions, were £163,975 (2015: £160,226).

The Chief Executive is a member of the Derbyshire County Council Pension Scheme. She is an ordinary member of the pension scheme and no enhanced or special terms apply.

Futures Housing Limited does not make any further contribution to an individual pension arrangement for the Chief Executive.

The full time equivalent number of staff (excluding directors) who received emoluments, including pension contributions, in the following ranges:

	2016 No.	2015 No.
£60,000 to £70,000	8	4
£90,001 to £100,000	-	1
£101,000 to £110,000	1	1
£120,001 to £130,000	2	2
£160,001 to £170,000	1	1

Notes to the Financial Statements (continued)

11. Board Members and executive directors (continued)

	Group 2016 £'000	Company 2016 £'000	Group 2015 £'000	Company 2015 £'000
M Flynn	4	4	14	14
E Bradbury	11	9	11	4
D Whalley	11	9	10	8
L Hearne	-	-	5	5
T Taylor	12	12	8	8
H Punchihewa	6	6	4	4
D Macharaga	2	1	4	4
R Atterbury	1	-	4	-
R Ward	4	4	3	3
B Lyttle	2	-	3	-
E Brown	3	-	3	-
N Bull	3	-	3	-
D Leathley	7	7	5	4
G Hibbert	-	-	3	-
G Kinsella	3	-	3	-
P Naish	3	3	3	3
P Tooley	6	5	3	-
K Perry	2	-	3	-
J Hayes	3	-	3	-
A Campbell	2	-	3	-
J Spalding	3	-	3	-
R Osborn	-	-	2	-
A Carter	2	-	2	-
I Toal	16	14	12	4
P Parmar	1	-	3	1
S Hale	5	5	-	-
R Harding	1	1	-	-
M Stevenson	1	1	-	-
M Warren	1	-	-	-
P Downes	1	-	-	-
G Lindley	1	-	-	-
C Smith	4	4	-	-
R Hughes	-	-	1	-
S Hyde	8	7	5	2
S Fitzhugh	6	6	3	1
Aggregate emoluments payable to Board Directors	135	98	129	65
Emoluments paid to FHG Chair, Ian Toal (highest paid Board Director)	16	14	14	14

Notes to the Financial Statements (continued)

11. Board Members and executive directors (continued)

Number of Board Directors including the highest paid, and including members of the Board sub committees who received emoluments in the following ranges.

	Group 2016	Company 2016	Group 2015	Company 2015
£10,001 - £15,000	4	2	3	1
£5,001 - £10,000	6	8	3	3
£1 - £5,000	21	7	22	10
	31	17	28	14

Expenses paid during the year to companies' Board Directors amounted to £8,026 (2015: £5,570).

Notes to the Financial Statements (continued)

12. Tax on deficit on ordinary activities

Group and Company

	Group 2016	Company 2016	Group 2015	Company 2015
Current Tax	**£'000**	**£'000**	**£'000**	**£'000**
UK corporation tax on deficit for the year	38	37	32	11
Adjustments in respect of prior periods	-	-	-	-
Current tax	38	37	32	11
Deferred Tax				
Net origination and reversal of timing differences	2	(7)	25	25
Effect of rate change on opening balance	2	1		
Total tax charge	4	(6)	57	36

Current tax reconciliation	Group 2016 £'000	Company 2016 £'000	Group 2015 £'000	Company 2015 £'000
Surplus/(deficit) on ordinary activities before tax	(146)	(206)	66	(39)
Charitable activities	-	-	-	-
(Surplus/deficit) subject to Corporation tax	(146)	(206)	66	(39)
Theoretical tax at UK corporation tax rate 20%	(29)	(41)	14	(8)
Fixed asset differences	50	50		
Expenses not deductible for tax purposes	22	22	44	44
Depreciation in excess of capital allowances	-	-	(26)	(25)
Net origination and reversal of timing differences	-	-	25	25
Total tax charge	43	31	57	36

Notes to the Financial Statements (continued)

13. Tangible fixed assets – properties

Group	Completed housing properties shared ownership	Shared ownership properties under construction	Social housing properties held for letting	Social housing properties under construction	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 April 2015	3,330	105	156,955	2,113	**162,503**
Additions	212	-	2,644	3,285	**6,141**
Capitalised Improvements	-	-	3,394	-	**3,394**
Schemes Completed	-	-	70	(70)	**-**
Disposals	(96)	-	(619)	-	**(715)**
At 31 March 2016	3,446	105	162,444	5,328	**171,323**
Depreciation and impairment					
At 1 April 2015	240	-	28,154	154	**28,548**
Charged in year	74	-	4,683	-	**4,757**
Impairment	-	-	-	60	**60**
Released on disposal	(3)	-	(141)	-	**(144)**
At 31 March 2016	311	-	32,696	214	**33,221**
Net book value					
At 31 March 2016	3,135	105	129,748	5,114	**138,102**
At 31 March 2015	3,090	105	128,801	1,959	**133,955**

Notes to the Financial Statements (continued)

Expenditure on works to existing properties

Group	2016 £'000	2015 £'000
Components capitalised	3,394	3,724
Amounts charged to statement of comprehensive income	3,437	3,964
	6,831	7,688

Social housing assistance

Group	2016 £'000	2015 £'000
Total accumulated grant	18,790	18,369
Recognised in comprehensive income	2,302	1,809
Held as deferred capital grant	16,554	16,626
	18,856	18,435

Housing properties book value, net of depreciation and grants, and depot net book value (note 12) comprises

	Group 2016 £'000	Group 2015 £'000
Freehold land and buildings	138,383	134,244

Housing properties comprise of only freehold land and buildings.

Impairment
The Group considers individual schemes to be separate Income Generating Units (IGU's) when assessing for impairment, in accordance with the requirements of Financial Reporting Standard ("FRS") 11 – Impairment of Fixed Assets and Goodwill.

Valuation
Savills consultants undertook valuations of the housing properties as at 31 March 2016 for Futures Homescape Limited, the latest valuation for Futures Homeway Limited was at 31 May 2016 and 2 November 2015 for Five Doorways Homes Limited. The existing use social housing valuation was £294.6 million (2015: £267.9 million)

Notes to the Financial Statements (continued)

13. Tangible Fixed Assets – other

Group	Freehold depot £'000	Tools and equipment £'000	Furniture fixtures and fittings £'000	Lifeline equipment £'000	IT equipment £'000	Other land and buildings £'000	Vehicles £'000	Total £'000
Cost								
At 1 April 2015	379	217	801	1,005	3,538	245	884	7,069
Additions	-	123	52	-	183	-	363	721
Disposals	-	(49)	(18)	-	(752)	(179)	(46)	(1,044)
At 31 March 2016	379	291	835	1,005	2,969	66	1,201	6,746
Depreciation								
At 1 April 2015	90	171	801	891	3,163	-	331	5,447
Charged in year	8	75	10	66	299	179	402	1,039
Released on disposal	-	(49)	(19)	-	(752)	(179)	(46)	(1,045)
At 31 March 2016	98	197	792	957	2,710	-	687	5,441
Depreciated Cost								
At 31 March 2016	281	94	43	48	259	66	514	1,305
At 31 March 2015	289	46	-	114	375	245	553	1,622
Net book value								
At 31 March 2016	281	94	43	48	259	66	514	1,305
At 31 March 2015	289	46	-	114	375	245	553	1,622

Other land and building comprise of only freehold land.

Notes to the Financial Statements (continued)

Company

Cost	**IT equipment £'000**
At 1 April 2015	1,588
Additions	183
Disposals	(49)
At 31 March 2016	1,722
Depreciation	
At 1 April 2015	1,211
Charged in year	299
Disposals	(48)
At 31 March 2016	1,462
Net Book Value	
At 31 March 2016	260
At 31 March 2015	377

15 Investments

Investment Properties non social housing properties held for letting

	31 March 2016 £'000	**31 March 2015 £'000**
At 1 April	953	966
Additions	3,839	-
Revaluation	199	(13)
	4,991	**953**

Investment properties were valued as at 31 March 2016. The company's investment properties have been valued by professional external valuers, David Brown Property and Barlow Property Consultancy in accordance with the Royal Institute of Chartered Surveyors methodology.

Notes to the Financial Statements (continued)

16. Group and company

	Investment in associates £'000
Cost and net book value	
At 1 April 2015	368
Additions	-
Impairment	(247)
At 31 March 2016	121

The Group has the following aggregate interests in associate undertakings.

	2016 £'000
Share of fixed assets	10
Share of current assets	145
Share of current Liabilities	(34)
Share of net assets	**121**
Goodwill	-
Investment	121

The Group holds 33% of the issued share capital of Three Together Limited Limited, a company incorporated in England and Wales. Its wholly owned subsidiary, Access Training Limited, is a training and apprenticeship provider.

17. Stock

Group	2016 £'000	2015 £'000
Raw materials and consumables	52	52

18. Properties held for sale

Group	2016 £'000	2015 £'000
Properties held for sale	475	248

Notes to the Financial Statements (continued)

19. Debtors

	Group 2016 £'000	Company 2016 £'000	Group 2015 £'000	Company 2015 £'000
Due within one year				
Rent and service charges receivable	492	-	673	-
Less: Provision for bad and doubtful debts – rents	(167)	-	(187)	-
	325	-	**486**	-
Other debtors	436	14	891	7
Prepayments and accrued income	1,183	386	732	339
Amounts due from group undertakings	-	78	-	73
Deferred tax	18	17	11	11
	1,962	**495**	**2,120**	**430**

20. Creditors: amounts falling due within one year

	Group 2016 £'000	Company 2016 £'000	Group 2015 £'000	Company 2015 £'000
Trade creditors	1,364	314	1,906	397
Rent and service charges received in advanced	894	-	736	-
Corporation tax	389	37	384	12
Other taxation and social security	324	126	349	106
Other creditors	646	-	390	6
Accruals and deferred income	3,886	416	3,593	394
Amounts owed to group undertakings	-	823	-	879
Deferred capital grant (note 21)	361		361	
Right to buy creditor	1,116	-	1,081	-
	8,980	1,716	8,800	1,794

21. Creditors: amount falling due after one year

	Group 2016 £'000	Group 2015 £'000
Bank loans (note 25)	129,892	130,500
Less: Capitalised finance costs	(558)	(580)
Deferred capital grant (note 22)	16,194	16,265
	145,528	146,185

Notes to the Financial Statements (continued)

22. Deferred capital grant

	31 March 2016 £'000	31 March 2015 £'000
At 1 April	16,560	15,952
Grant received in the year	421	969
Released to income in the year	(493)	(361)
	16,488	16,560
Amounts to be released within one year	(360)	(361)
Amounts to be released in more than one year	(16,128)	(16,199)
	(16,488)	(16,560)

23. Provisions for liabilities and charges

Deferred tax

	Group 2016 £'000	Company 2016 £'000	Group 2015 £'000	Company 2015 £'000
At 1 April	(24)	(11)	(49)	(36)
Amount credited to the statement of comprehensive income	5	(6)	25	25
At 31 March	(19)	(17)	(24)	(11)
Comprising:				
Capital allowances	(19)	(17)	(24)	(11)
Deferred tax (asset)	(19)	(17)	(24)	(11)

Notes to the Financial Statements (continued)

24. Disposal proceeds fund

	2016 £'000	2015 £'000
At 1st April	-	-
Net sale proceeds recycled	421	105
Acquisition of dwellings for letting	(421)	(105)
Balance at 31st March	-	-

Funds have been taken out of the fund to finance the Company's development programme (81 new properties were acquired during the 2015-2016).

25. Debt Analysis

Group	2016 £'000	2015 £'000
Due within one year		
Bank loans	-	-

	2016 £'000	2015 £'000
Due after more than one year		
Bank loans	129,892	130,500

Based on the lenders' earliest repayment date, borrowings are repayable as follows:	2016 £'000	2015 £'000
Within one year	-	-
Between one and two years	-	-
Between two and five years	-	-
After five years	129,892	130,500
	129,892	130,500

Notes to the Financial Statements (continued)

25. Debt Analysis (continued)

The Group fixes the interest rate on a proportion of its borrowings for a specified period of time; the maturity of these arrangements does not lead to a requirement to repay the debt, as such all debt has been presented as due in greater than one year.

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

Overdraft interest is payable quarterly in arrears at the usual charging dates in March, June, September and December at a rate of 1% above base rate.

On all committed floating rate borrowings interest is payable quarterly at the maturity of the relevant fixture period of 1, 3, or 6 months and semi-annually if the fixture period is 12 months.

On all fixed rate borrowings interest is payable quarterly or semi-annually in arrears, calculated from the semi-annual fixed rate cost of funds.

Interest is payable on bank loans at rate per annum which is aggregate of:

- the relevant LIBOR or fixed/RPI linked rate;
- the previously detailed margin over the Lenders' floating rate cost of committed loan funds (currently LIBOR) or fixed/RPI linked cost of funds;
- Where applicable, the cost of the Lenders of complying with the Mandatory Costs Rate (MCR) and special deposit requirements of the Bank of England.
- Average rates payable were 2.47%

At 31 March 2016 the Group had undrawn committed loan facilities of £24.2m (2015: £23.5m).

26. Financial Commitments

Approved and contracted
Expenditure on the purchase of housing properties was committed as at the 31st March 2016, in the sum of £15,305,000 by the Group (2015: £5,055,000).

Approved and not contracted
Expenditure of £6,425,000 for the purchase of housing properties was approved but not contracted as at the 31st March 2016.

Partnering Contracts are in place to ensure that the major programme of improvements to properties promised to tenants is delivered. The Board has approved expenditure of £7,018,000 for the 2016-17 financial year (2015: £3,160,000).

In addition £125,000 was approved for the purchase of fixed assets (2015: £548,800).

The above commitments for the Group will be financed primarily through borrowings which are available for draw-down under existing loan arrangements.

Notes to the Financial Statements (continued)

27. Operating Leases

The payments which the Group is committed to make in the next year under operating leases are as follows:

Group	2016 £'000	2015 £'000
Land & Buildings		
Due to expire – One to five years	377	377
Vehicles		
Due to expire – Within one year	-	15
Due to expire – One to five years	-	-
Total	-	15
Equipment		
Due to expire – One to five years	11	6

28. Reconciliation of operating surplus to net cash inflow from operating activities

	2016 £'000	2015 £'000
Surplus for the year	**8,463**	**7,048**
Adjustments for non cash items:		
Depreciation and impairment of tangible fixed assets	4,916	4,142
Pensions cost less contribution payable	748	523
Impairment of investment	247	-
Increase in trade and other debtors	(1,120)	(109)
Increase in trade and other creditors	1,230	820
Adjustments for investing or financing activities:		
Proceeds from sale of fixed assets	(715)	(838)
Amortisation of government grants	(492)	(361)
Revaluation of Investment Properties	(199)	-
Interest payable	4,181	4,572
Interest receivable	(85)	(27)
Tax	(1)	(57)
Net cash inflow from operating activities	**17,175**	**15,713**

Notes to the Financial Statements (continued)

29. Financial assets and liabilities

The Board policy on financial instruments is explained in the Board Report as are references to financial risks.

Categories of financial assets and financial liabilities

	Group 2016 £'000	Company 2016 £'000	Group 2015 £'000	Company 2016 £'000
Financial assets that are debt instruments measured at amortised cost:				
Rental Debtors	325	-	486	-
Other Debtors	436	-	891	-
	761	-	1,377	-
Financial liabilities measured at amortised cost				
Trade and Other Creditors	2010	-	2296	-
Accruals	3,886	314	3593	397
Right to buy creditor	1,116	-	1,081	-
Loans	129,892	416	130,500	394
	135,142	730	135,999	791

Financial Assets
Other than short-term debtors the Group had financial assets consisting of short-term money market and cash deposits held in special interest bearing accounts. They are sterling denominated and the interest rate profile at 31 March was:

	Group 2016 £'000	**Company 2016 £'000**	**Group 2015 £'000**	**Company 2015 £'000**
Short-term Money Market Deposits	-	-	-	-
Special Interest Bearing Accounts	15,840	90	14,436	106
	15,840	90	14,436	106

The interest rate profile of the Group's loan liabilities at the 31 March 2016 was:

	2016 £'000	2015 £'000
Floating rate	47,125	44,125
Fixed rate (cancellable)	-	-
Fixed rate	82,767	86,375
Total (note 22)	129,892	130,500

Notes to the Financial Statements (continued)

The fixed rate financial liabilities have a weighted average interest rate of 2.5% (2015: 4.5%). The sums are fixed for between 2 and 18 years.

The floating rate financial liabilities bear an interest rate as shown in note 22.

The debt maturity profile is shown in note 22.

The Group has undrawn committed borrowing facilities of £24.2 million (2015: £23.5 million).

30. Stock Transfer Obligations

Immediately prior to entering into the Stock Transfer Agreement between Amber Valley Borough Council, and Daventry District Council ("the Councils") and Futures Homescape Limited and Futures Homeway Limited ("the Companies"), the Councils and Companies entered into contracts for the Companies to perform the refurbishment works required to bring the properties into an agreed state. The contract was for a fixed sum equal to the expected cost of the works i.e. £75.2million for Futures Homescape Limited and £50.6m for Futures Homeway Limited. At transfer the Companies contracted with the Councils to acquire the benefit of the agreed refurbishment works (£75.2million and £50.6 million respectively) plus the housing properties at a price equal to the agreed value of the property in its unenhanced condition (£28.6million and £15.5 million respectively). The nature of the works under the initial agreement has not been specified and a right of set off exists between the contracts. These contracts have enabled the Group to recover VAT on repair/improvement costs that would otherwise have been expensed.

At the time of the transfer the Companies paid over a net cash amount of £28.6 million to the Amber Valley Borough Council and £15.5 million to Daventry District Council, representing the acquisition of the properties in their unenhanced condition (£28.6 million and £15.5 million respectively) and the value of the Council's obligation to carry out the refurbishment works (£75.2 million FHL and £50.6 million FHW), less the amount due to be incurred by the Company under the Development Agreement in relation to the anticipated cost of the repairs/improvements (£75.2 million FHL and £50.6million FHW).

The impact of these transactions is that whilst the Councils have a legal obligation to the Group to complete the refurbishment works; this work has been contracted back to the Group who are also legally obligated. The underlying substance of the transaction is therefore that the Group has acquired the properties in their existing condition at their agreed value, and will complete certain repairs/improvements in line with guarantees to tenants of not less than £125.8 million. In the opinion of the Board Directors, the commercial effect of these transactions when viewed as a whole does not, in practice, create separate assets and liabilities for reporting purposes. Therefore, in accordance with FRS 102 the resulting debit and credit balances, relating to the legal obligation of the Council to complete the refurbishment works for the Group and the equal and opposite legal obligation of the Group to perform the refurbishment works for the Council, have been offset and are not recorded in the statement of financial position.

At 31 March 2016 £128.9 million (2015: £125.5m) of the refurbishment works had been completed.

Notes to the Financial Statements (continued)

33. Related parties

The Company has taken advantage of the exemption in FRS 6 "Related Party Disclosures" from disclosing transactions with its wholly owned subsidiaries.

Futures Housing Group Limited

One member of the Futures Housing Group Board, David Leathley is a tenant of Futures Homeway. He was also appointed to the Boards of Futures Homescape Limited and Five Doorways Homes Limited on 14th July 2015.

Futures Homeway Limited

Two tenants were on the Board of Futures Homeway Limited until December 2015. On 16th December Jennie Hayes resigned. David Leathley remains on the Board.

Three members of the Board were councillors with Daventry District Council, Abigail Campbell, Ann Carter, and Kevin Perry. They resigned on 16 December 2015. All transactions with the Council were on normal commercial terms and the councillor members of the Board are not able to use their position to their advantage.

Futures Homescape Limited

Brian Lyttle was a tenant and a member of the Board of Futures Homescape Limited until his resignation on 14 July 2015. David Leathley was appointed to the Board of Futures Homescape Limited on 14 July 2015, he is a tenant of Futures Homeway Limited. Their tenancies are on normal commercial terms and they were not able to use their position to their advantage.

Both Brian Lyttle and Norman Bull who were members of the Board of Futures Homescape Limited until 14 July 2015, are councillors with Amber Valley Borough Council, a local authority having nomination rights over Futures Homescape tenancies for certain properties. All transactions with the Council are on normal commercial terms and councillor members of the Board are not able to use their position to their advantage.

Five Doorways Homes Limited
David Leathley was appointed to the Board of Five Doorways Homes Limited on 14 July 2015. He is a tenant of Futures Homeway Limited.

Futures Greenscape Limited
Two members of the Board Martin Sherman and Ian Skipp are Executive Directors of FHG. They are not able to use their position to their advantage.

Total rental arrears for the Group for related parties as at 31 March 2016 were nil (2015: £37)

Notes to the Financial Statements (continued)

33. Related parties (continued)

Transactions with non regulated Group members

During the year the Company received £35k for the provision of central services (2015:£35K), such as Finance and HR, from Futures Greenscape Limited, a non regulated Group member: This is allocated on the basis of staff time. In addition intra-group transactions occurred between other regulated and non regulated Group members during the year. Futures Homescape received £71k (2015:£70k) for the provision of management services to Five Doorways Homes Limited. This is a charge based on the average units managed.

Futures Homescape Limited and Daventry & District Housing Limited paid £988k and £610k respectively (2015: £850k and £474K) to Futures Greenscape Limited for the provision of ground maintenance services and void works. These works are charged at commercial rates.

The Group Executive Directors are considered to be the key management personnel of the Company. Disclosures in relation to their remuneration is included in note 10

34. Interest in Subsidiaries

The financial statements consolidate the results of Futures Housing Group Limited with its charitable subsidiaries, (on the basis of control). Futures Homescape Limited, Futures Homeway Limited, Five Doorways Homes Limited and Futures Greenscape Limited. Futures Housing Group Limited is the ultimate parent undertaking. Futures Homescape, Futures Homeway Limited and Five Doorways Homes Limited's primary activity is the letting and development of social housing properties. Futures Greenscape Limited primary activity is the provision of landscape maintenance services

35. Transition to FRS 102

Holiday pay accrual

An accrual is now made for entitlement to holiday at the year end which has not been taken by employees. This has been calculated based on payroll records and totalled £28k as a liability.

Amortisation of Government Grants

Government grants received are now held as deferred capital grant and recognised in income over the useful economic life of the asset.

Restatement of financial position	**Group 2015 £'000**	**Company 2015 £'000**	**Group 2014 £'000**	**Company 2014 £'000**
Original reserves	(15,080)	(479)	(17,250)	(404)
Amortisation of grants	1,809	-	1,448	-
Leave pay provision	(74)	(34)	-	-
Revenue reserves at 31 March 2015	(13,345)	(513)	(15,802)	(404)

Notes to the Financial Statements (continued)

35. Transition to FRS 102 (continued)

Restatement of surplus for the year ended 31 March	**Group 2015 £'000**	**Company 2015 £'000**
Original surplus	7,155	(75)
Amortisation of grants	361	-
Holiday Pay	(74)	(34)
Finance Cost on defined benefit pension scheme	(451)	-
Revenue reserves at 31 March 2015	6,991	(109)