Futures Housing Group Limited

Annual report and financial statements

Year ended 31 March 2021

Company registration number: 06293737
Registered with the Regulator of Social Housing, number L4502

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Board members, executive directors, advisors and bankers

Board		Appointed	Resigned
Chair	Mike Stevenson	21 May 2019	
Vice Chair	Sheila Hyde	21 March 2017	
Other members	Lindsey Williams	23 July 2013	
	Steve Hale	15 July 2015	
	Ray Harding	26 January 2016	
	David Brooks	19 July 2017	
	Tim Slater	19 July 2017	
	Mary Daunt	22 May 2018	
	Ciara McMillan	6 November 2018	
	Peter Burke	10 August 2020	
	Mike Stevenson	26 January 2016	
	Sheila Hyde	23 September 2014	

Company Secretary

Ian Skipp

Executive directors

Chief Executive	Lindsey Williams
Group Finance and Resources Director	Ian Skipp
Group Business Growth & Transformation Director	Marcus Keys (left 07/05/20)
Group Director of Strategic Partnerships & Growth	Ceri Theobald (appointed 01/09/20)
Group Customer Experience Director	Suki Jandu

Registered office

Asher House, Asher Lane Business Park,
Ripley, Derbyshire, DE5 3SW

Registrations

Registered under the Companies Act 2006, number 06293737

Regulator of Social Housing, number L4502

External auditor

BDO LLP, Two Snowhill,
Birmingham, B4 6GA

Solicitors

Anthony Collins LLP, 134 Edmund Street
Birmingham, B3 2ES

Bankers

NatWest Bank PLC, 1 Chesterfield Road, Alfreton, Derbyshire, DE55 7ZR

Strategic report

The Board of Futures Housing Group Limited presents its report together with the audited financial statements for the year ended 31 March 2021.

Legal status

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 Regulator of Social Housing ('RSH') (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.

FHG provides back office services to its subsidiaries. These include finance, human resources, information technology and procurement. It also provides services in respect of strategic asset management and development.

Subsidiaries

Other members of the Group are:

Futures Homescape Limited (FHL) formed in 2003. Registered provider with the RSH. At 31 March 2021 FHL owned 6,654 housing properties (2020: 6,569) for social or affordable rent, shared ownership and market rent. 2,294 of these homes are supported housing which include a lifeline service (2020: 2,297). It also manages 188 properties on behalf of other landlords (2020: 231).

Futures Homeway Limited (FHW) formed in 2007. Registered provider with the RSH. At 31 March 2021 FHW owned 3,387 housing properties (2020: 3,368) for social or affordable rent, shared ownership and market rent. 888 of these homes are supported housing which include a lifeline service.

Five Doorways Homes Limited ('5D') formed in 2004. Not a registered provider. At 31 March 2021 5D owned 86 housing properties (2020: 86). 5D is a subsidiary of FHL.

Futures Greenscape Limited (FGL) formed in 2011. FGL was a social enterprise business whose principal activities were 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. As at 31 March 2021, as part of a Group reorganisation, the assets and operations of FGL were transferred to FHL and FHW and the business ceased trading and became dormant.

Limehouse Developments Limited (LHD) formed in 2015 which acts as a development vehicle for properties for outright sale. LHD is a subsidiary of 5D.

Futures Finance Limited (FFL) formed in 2018 which acts as a funding vehicle to on-lend monies across the Group. The funding within this company is solely bank loans.

Futures Treasury Plc (FTP) formed in 2018 which also acts as a funding vehicle to on lend monies to the housing subsidiaries. The funding within this company is a public bond.

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

Employees

The strength of the Group lies in the quality and commitment of its employees. In particular our ability to meet objectives and commitments to customers, in an efficient and effective way, 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.

Customer involvement

The Group actively encourages customer involvement in decision-making by promoting more formal engagement mechanisms. The Boards of the principal operating companies within the Group have established effective reporting arrangements between customers' representative bodies and the Boards, including an Insight Committee.

VFM statement

1. Introduction

The purpose of this statement is to demonstrate compliance with the Regulator of Social Housing's (RSH) regulatory standard, *Value for money standard - April 2018* and the RSH's recommended *Value for money code of practice - April 2018*.

Our vision

The Group is currently operating within its 2020-23 corporate plan which has the vision:

Great places **Great services** **Great tomorrows**

Our plan has four corporate objectives:

Customer-centric

- Ensure the safety of our customers and the homes we provide for them.
- Use technology and data to improve our services.
- Involve and engage customers more in what we do.
- Improve customer satisfaction in clearly measurable ways.
- Make it effortless for customers to deal with us – such as through offering better digital systems.
- Help customers who are struggling to stay in their homes by offering more support with work, financial and health problems.

Growth and development

- Create partnerships and relationships to sustain and grow development activity and services across the region.
- Start construction on 1,200 new homes across the East Midlands, aiming to complete 300 a year.
- Offer lots of choices to our customers, including shared ownership, market rent and sale but with a big emphasis on affordable homes such as social rent, affordable rent, shared ownership, rent-to-buy.
- Increase the number of land-led and package-deal property development schemes.
- Take on larger, mixed tenure development schemes than we have before through joint ventures and partnerships.
- Test new methods of construction with a view to improving efficiency, costs, and environmental performance.

Sustainability

- Explore ways to make our homes more affordable for our customers.
- Improve public areas that we are responsible for.
- Improve the energy performance of our customers' homes and our organisation as a whole.
- Supporting the local economy.

Culture

- Continue to modernise and transform how we work through digital technologies and continuous improvement.
- Increase automation of services and processes so our teams can focus on looking after our customers.
- Have great systems and good data about our customers to help us be more efficient and get things right first time.
- Look after our workforce, develop talent and ensure our teams feel truly involved in our work.

Underpinning the key objectives are five strategies which have value for money targeted outcomes embedded within them.

Customer

Homes

Growth

Digital

Business change

To support delivery of the key objectives, the Group embraces the **MORE** values to promote a positive culture of innovation and learning as shown below.

Make a positive impression

Operate as one

MORE VALUES

Reach our potential

Embrace innovation

Value for Money (VFM) outcome-based targets are set and agreed by the Board each year to underpin the four corporate objectives in the VFM strategy. These VFM targets are also included in the annual budget report to demonstrate how budgets have been aligned to support their delivery. The outcomes are aimed at increasing one or more of economy, efficiency and effectiveness of each service line across the business and back office functions. The overarching aim of the VFM strategy is to have:

Upper quartile performance with costs at no more than the median level.

VFM is an ongoing process that is embedded throughout our culture. There is a clear track record of driving cost reduction and improved performance while generating savings for re-investment in both existing stock and increasing the number of new homes developed.

The performance management framework ensures that internal VFM measures and external performance metrics are monitored and reported regularly to enable the Board to oversee delivery of the corporate objectives and to implement corrective actions where necessary.

- The Co-Executive Team meets monthly and reports on performance at a detailed level;
- The Board receives quarterly performance reports and a quarterly budget monitoring report;
- The Audit and Risk Committee, which acts as VFM champion for the Board, receives a VFM target versus outcome report.

Customers are also part of the scrutiny framework. The Group has an Insight Committee, consisting of Board members and customer representatives, which meets regularly to play a key role in consulting on decisions relating to service provision and provides feedback on services and desired improvements. These inform Board decisions on areas for investment to help improve effectiveness and shape the Group's strategic direction.

This statement provides information on how the VFM outcomes are being achieved.

- Sections 2 – 6 show the progress to date of the VFM outcome-based targets which have been graded to show that the target has either been met, is delayed but moving towards target or not met.
- Section 7 shows the 2019-20 external benchmarking to compare performance against 90 similarly sized housing providers ranging from 7,500 to 15,000 homes.
- Section 8 shows Regulator of Social Housing VFM metrics, analysing how the Group compares to the sector.
- Section 9 provides a summary of our overall financial performance alongside a forward looking view of the key financial metrics.
- Section 10 reviews potential future VFM gains achievable through alternative commercial, organisational and delivery structures.
- Section 11 provides analysis of non-social activity performance.

2. Customer strategy VFM targets

This strategy seeks to ensure that we have a clear offer for our customers, delivering effortless services which meet their needs.

Aim	Proposed VFM targets and outcomes		Update
Reduce failure demand and increase right first time customer service.	**Effectiveness:** year on year reduction in failure demand and right first time service.	Green	There were 11,274 failure demands during 2020-21 which is 14% lower than the 13,110 failure demands received during the previous year.
Decrease tenant debt	**Efficiency, effectiveness:** 20% of customers supported by the Money Advice team do not fall into rent arrears. 5% of customers who have accessed money advice receive discretionary housing payments to support their arrears.	Red Green	The Money Advice team works with customers who are falling into rent arrears and worked with 717 customers during 2020-21. Of these, 18% had a positive balance following engagement with the team. This is lower than the 20% target but sometimes it can take a number of months before customers are fully out of arrears. Of these customers, 55 (8%) were successful in receiving discretionary housing payments which totalled £43k. Overall grants totalling £241k were successfully claimed on behalf of customers by the Money Advice team.
Increase customer engagement and perception of our services.	**Effectiveness:** output data from My Voice, Customer Insight Committee and Watermelon shows increased trend in customer engagement and positive customer perceptions.	Green	91% of customers are very satisfied or feel that our level of customer engagement is 'okay', which is 7% higher than last year. There are 147 customers registered as users on our digital engagement tool My Voice (increased from 36 last year). Over 600 customers are independently surveyed every quarter to understand their satisfaction with a variety of metrics including with how repairs are completed, the neighbourhood as a place to live and the overall quality of their home. These results are used to understand any issues and allow for continuous improvement. The Insight Committee has been instrumental in piloting new initiatives such as 'liveable standards', which is where extra financial support is given to help vulnerable customers who are moving into a Futures property by providing carpets, white goods and ensuring they are on the best fuel tariff for their needs. The 'public realm' project is currently working on renovating the Southbrook Estate in Daventry and the committee is reaching out to the community there to understand their needs. The committee reviews the Group's performance around complaints, repairs, failure demands and any dissatisfaction.
Gateways and other work and training programmes to increase the number of customers helped back into employment.	**Effectiveness:** increase in number of customers helped back into employment.	Amber	In spite of the Covid-19 challenges, Futures has helped secure 12 customers into full time jobs and one customer into a part time job during the year. This is in addition to providing 337 job skills sessions, referring 59, supporting 44 and training 34 customers. During 2019-20 we helped 27 customers into jobs (16 full time and 11 part time) and this reduction is due to Covid-19.

3. Homes strategy VFM targets

This strategy will ensure that we keep our homes safe, meet all required standards and invest in our homes to meet the needs of current and future customers.

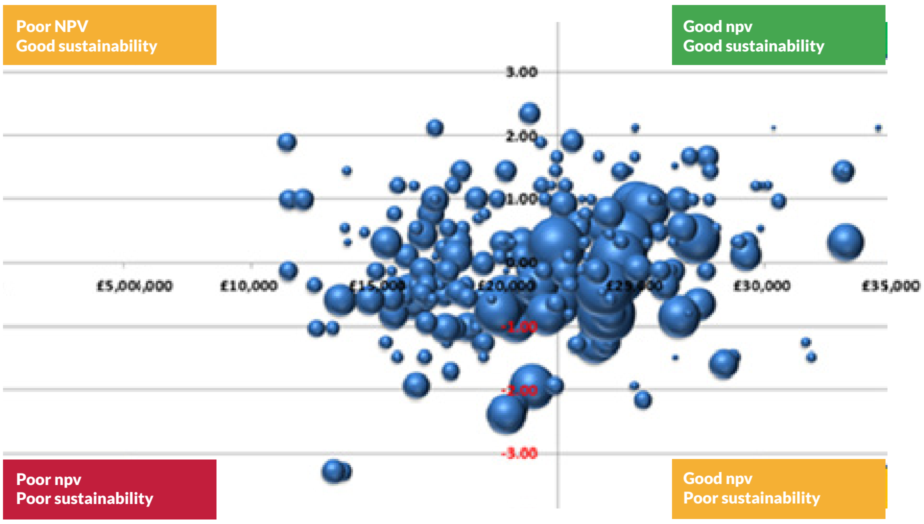
Aim	Proposed VFM targets and outcomes	Update
Asset maximisation programme to focus on our lowest performing assets.	**Effectiveness:** present options available to group directors during 2020-21 for a proportion of low value assets.	The organisation has identified around 240 of our weakest performing assets from an energy perspective and these are being reviewed by our Asset Maximisation team. However nothing was presented to the group directors during the year due to Covid-19 reprioritisation.
Van fleet replacement to reduce current running costs per van and carbon footprint	**Economy, efficiency, effectiveness:** reduction in annual running costs and carbon emissions of van fleet.	Successful procurement of new vans and a new partner that will help Futures to manage the fleet more efficiently to ensure that older stock is being replaced and repairs are completed in a more timely way. Forty six older vans were replaced with more economical models during the year (127-200 CO_2(g/km) vs 176-185 CO_2(g/km) per Ford Custom van).
Stock is 100% compliant with the Decent Homes Standard	**Effectiveness:** 100% of surveyed stock is compliant with the Decent Homes standard and other health, safety and regulatory standards.	The organisation is committed to surveying all properties every seven years. During the year 583 properties were surveyed which were all compliant and this brings the total to 79% of our total stock. The volume was lower last year due to Covid-19 however more properties will be surveyed during 2021-22 to ensure that the programme remains on track.
Clear stock condition data investment requirements.	**Economy, efficiency, effectiveness:** business plan includes all stock condition data investment requirements to ensure that money is spent efficiently.	The business plan includes future costs to ensure that stock is fit for purpose based on current legislation. An independent comprehensive review of our stock is taking place during 2021-22. The *Fire Safety Act* may require additional funds to be set aside but we are proactively remediating any fire compartmentation issues and cladding surveys within our stock. Investment will be needed to comply with the Government's 2050 zero carbon initiative and work has begun to understand which of our stock we would need to review. Presently 50% of our properties are already at Band C and the remaining properties will need work to improve their rating. The options are being reviewed as part of the Sustainability Strategy Steering Group.

Return on assets

The Asset Performance Evaluation ('APE') 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 following table.

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 and amenities / waiting list and 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 indiciates 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 or neighbourhood if economically viable.

The Group's Asset Investment Committee ('AIC') oversees active asset management. It should be noted that none of the Group's assets have a negative NPV so are all deemed to be financially viable. However certain assets, such as sheltered schemes, have performed below an acceptable level on sustainability criteria. These are the assets that the AIC have prioritised for further review and decision making about future use with the aim of improving their sustainability scores and/or NPV scores. Options are being considered for conversion, remodelling or disposal.

4. Growth strategy VFM targets

This strategy is designed to identify and support opportunities to grow our area of operation and range of services. This will include both organic growth and step change.

Aim	VFM targets and outcomes		Update
An enlarged asset base will help to reduce management costs per unit and help increase borrowing capacity.	**Economy, efficiency, effectiveness:** a reduction in the management costs per unit. An increase in borrowing capacity.		Management costs per unit have reduced as shown in section 6.
Development appraisal parameters are maintained in order to deliver financially viable schemes, or for social and affordable housing schemes which perform in line with acceptable tolerance levels.	**Economy, efficiency, effectiveness:** all new development schemes to perform in line with financial parameters.		All developments are appraised in line with established parameters and tolerance levels before approval is given. New developments are regularly reappraised and any that are at risk of going outside of tolerance are escalated to Group Directors.
Delivery of new build programme.	**Effectiveness:** 1,200 homes to be approved and fully funded through grant and budgetary provision over the corporate plan period.		Due to increased spending on ensuring our existing homes are fit for purpose and the opportunity to use new grant funding, the target was changed by the Board in May-21 to 900 homes across the corporate plan, which is on track.
Tenure diversification maintained, acknowledging the opportunity to maximise the use of grant subsidy in accordance with Homes England requirements.	**Effectiveness:** 1,200 homes are of mixed tenure including social rent, affordable rent, shared ownership, market rent, market sale, rent to buy.		Tenure diversification is being maintained for all new schemes, albeit the target has been changed to 900 homes across the corporate plan.
The financial capacity to maintain a development programme of around 300 homes a year is maintained.	**Efficiency:** liquidity is managed in line with the treasury policy.		As above, the targets have reduced with 250 homes a year being sought. Liquidity is closely managed by the Finance team and reported to the Board quarterly to ensure this level of build is achievable. This includes multiple stress tests to ensure that future liquidity is secure.

5. Digital strategy VFM targets

This strategy seeks to enable our customers to choose to use digital services as their first choice for getting in touch and for service requests.

Aim	VFM targets and outcomes	Update	
Customer satisfaction score via digital and automated contacts.	**Effectiveness:** increase in satisfaction via digital channels.	N/A	88% of customers said that they were very satisfied, satisfied or ok with the My Account platform. This is a new measure so prior trends are not yet available.
Continual reduction in demand of more expensive methods of customer contact.	**Economy, effectiveness:** reduction in calls as a proportion of the total properties managed.		During 2020-21 there were 74,606 call demands from customers which is 10% lower than in 2019-20 (82,497 demands). This is in spite of more customers being at home due to Covid-19, which could have resulted in there being more demands.
Spend on digital projects that are tangible to our customers.	**Efficiency, effectiveness:** implementation of knowledge tool, outbound repairs calls, digital training and digital self service projects.		Approval of the customer relationship management project has been granted so by 2024, Futures Housing Group will have implemented and streamlined fifteen significant processes which will benefit customers. This includes the automation of and ability for customers to track repairs online. A knowledge tool has been rolled out to make it easier for customers to get help at their first point of contact. Total digital spend to date is £1.4m with £7.0m committed until the end of 2024.

6. Business change strategy VFM targets

This strategy aims to continue to develop our agile, adaptive culture that delivers effective, efficient and low-effort services making the very best use of our resources.

Aim	VFM targets and outcomes		Update
Transformation programmes to demonstrate pre & post VfM review of and improvement in cost, efficiency and effectiveness as appropriate.	**Economy, efficiency, effectiveness:** identify improvements in cost and/or efficiency and/or effectiveness as appropriate for each transformation completed.		During this year, the Transformation team has been scoping the Finance team for efficiencies and has identified a potential replacement to the invoicing system that would result in time savings across the business. This is being appraised and a business case presented for approval to proceed when complete. The People team transformation started in Jan-21.
Successful implementation of the workspace project	**Efficiency, effectiveness:** successful transfer of staff to the new office and touch down points and encouraging staff to work in a flexible way appropriate to business needs.		Ropewalk touchdown point (TDP) has been completed. All office based staff are working flexibly and are being consulted on future ways of working to ensure alignment to business needs. A new head office (Futures House) has been procured and is being refitted. Reconfiguration of Daventry TDP is underway.
	Efficiency: retention rate of team members.		The employee retention rate has increase to 90% and is a measure of what percentage of the overall workforce has been with Futures over 12 months. This increase is a reflection of the ongoing engagement with our staff and as part of the latest Investors in People review, 94% of staff say that Futures is a great place to work.
Delivery of a 'fit for the future' workforce	**Effectiveness:** number of successful completions of apprenticeship and graduate programmes.		£732k was invested into our graduate and repairs academy apprentice programmes during 2020/21. This is to support 32 full time equivalent posts during the year and two apprentices and two graduates successfully completed and now have ongoing employment with Futures.
	Effectiveness: succession plans for leadership roles in place and actively managed.		This piece of work is still in progress.
	Effectiveness: skills matrix in place and used to identify skills and expertise required by the Group.		Base skills matrix now in place for all team members.
	Efficiency: maintain 80% employee engagement survey results, indicating engaged workforce.		2020 annual survey conducted in Dec-20 with 97% engagement score and 96% eNPS.
	Efficiency: increase the number of mental health first aiders in place across the Group.		Futures had 17 mental health first aiders in place by March 2021 which is an increase of 14 from April 2020.
Maintain the IIP Gold Standard.	**Effectiveness:** IIP Gold Standard maintained.		IIP assessment has awarded Futures Housing Group Platinum status.

7. External benchmarking to compare performance with peers

The Group's over-arching target is upper quartile performance at no more than median cost. The comparison table below is based on 2019-20 data for 90 similarly sized peers who also use Housemark. This means that measures which assess the effectiveness of service to customers are aimed to be in the upper quartile while cost measures are aimed at being either quartile 1 or 2.

Housemark indicator	2019-20 quartile performance	Direction of travel	Actual 2019-20	Target met 2019-20	Actual 2018-19	Actual 2017-18	Actual 2016-17
Average number of calendar days to complete repairs	2	→	11	🔴	11	9	6
Average re-let time in days (standard re-lets)	1	↓	17	🟢	15	28	23
Average SAP rating	2	→	71	🟢	71	69	69
Percentage of dwellings with a valid gas safety certificate	n/a	→	100%	🟢	100%	100%	100%
Percentage of repairs completed on first visit	3	↓	91.8%	🔴	93.5%	95.9%	94.7%
Rent loss due to voids	1	↑	0.4%	🟢	1.0%	0.9%	0.8%
Standard units developed as a percentage of current stock	1	↑	2.7%	🟢	2.5%	2.5%	1.9%
Total cost per property: housing management	2	↓	£449	🟢	£413	£438	£403
Total cost per property: estate services	1	↓	£113	🟢	£179	£138	£181
Total cost per property: major works and cyclical maintenance	3	↓	£1,782	🔴	£1,397	£1,353	£1,317
Total cost per property: responsive repairs and voids	3	↓	£1,075	🔴	£791	£646	£632
Total tenant arrears as % of rent due (FVA definiton)	2	↓	3.1%	🟢	2.6%	1.2%	1.8%

Percentage of repairs completed at the first visit

This is in quartile 3 because our result of 91.8% was 0.2% higher than the peer group median. Work is ongoing to improve repairs and in March 2021, a system called Web RTC was installed to allow customers to video chat with us so we can diagnose the problem. In addition, the new customer relationship management and Accuserv systems will streamline the repairs processes and Knowledgebase will allow customers to resolve smaller issues themselves or at the first point of contact with Futures.

Total cost per property for repairs

This is higher than median because the Group is investing significantly more money into improving our stock, therefore this should be looked at as a benefit. Total spend on major works has increased from £3.7m in 2018-19 to £5.5m in 2019-20 and this is mainly due to additional investment in bathrooms, boilers, kitchens and windows.

8. Regulator of Social Housing VFM metrics

The table below shows the Group's performance on the VFM metrics, as specified by the Regulator of Social Housing, which have been graded as green (median or exceeding median), or red (below median) when compared to the global accounts.

Gearing is above the sector median because our fixed asset values are below the sector average (average £17k per unit, being the initial transfer price plus subsequent major improvement works). As the Group builds more new homes over the forthcoming years, the gearing will reduce. A more relevant measure of gearing for the Group is the gearing covenant set by the funders for which we have sufficient headroom and the basis for calculation differs to what the RSH require.

	FHG 2017-18	FHG 2018-19	FHG 2019-20	FHG 2020-21	Global accounts 2019-20 (median)
Reinvestment % Efficiency measure	10.8%	31.0%	15.3%	9.0%	7.2%
New supply delivered % (Social housing) Effectiveness measure	2.20%	2.30%	1.67%	1.29%	1.5%
New supply delivered % (Non social housing) Effectiveness measure	0.20%	0.90%	0.92%	0.17%	0.0%
Gearing % Efficiency measure	78.8%	82.0%	77.5%	81.7%	44.0%
EBITDA MRI interest cover Efficiency measure	282%	222%	198%	183%	170%
Headline social housing cpu Economy measure	£2,769	£2,692	£3,047	£3,045	£3,835
Operating margin % Social housing lettings Efficiency measure	35.0%	33.4%	32.1%	36.7%	25.7%
Operating margin Overall Efficiency measure	31.8%	33.9%	30.5%	30.4%	23.1%
Return on capital employed	8.55%	6.34%	5.98%	5.15%	3.40%

cpu = cost per unit

A further analysis of headline social housing cost per unit is shown in the table below.

Global accounts 2020	Lower quartile CPU £'000's	Median CPU £'000's	Upper quartile CPU £'000's	FHG 2018-19 £'000's	FHG 2019-20 £'000's	FHG 2020-21 £'000's	Cost increase / decrease to reach median £'s
Headline social housing CPU	3.21	3.71	4.6	2.69	3.05	3.05	
Broken down into:							
Management CPU	0.81	1.02	1.31	1.04	1.13	1.02	(22,240)
Service charge CPU	0.25	0.42	0.78	0.15	0.24	0.22	1,934,960
Maintenance CPU	0.88	1.08	1.32	0.79	0.91	0.97	1,137,040
Major repairs CPU	0.56	0.83	1.05	0.53	0.66	0.75	783,040
Other social housing CPU	0.08	0.21	0.42	0.18	0.11	0.08	1,255,480

FHG's management costs per unit have reduced further and are now at median levels. Over the next corporate plan period, the Group intends to deliver at least 900 new homes so we are expecting this trend to continue.

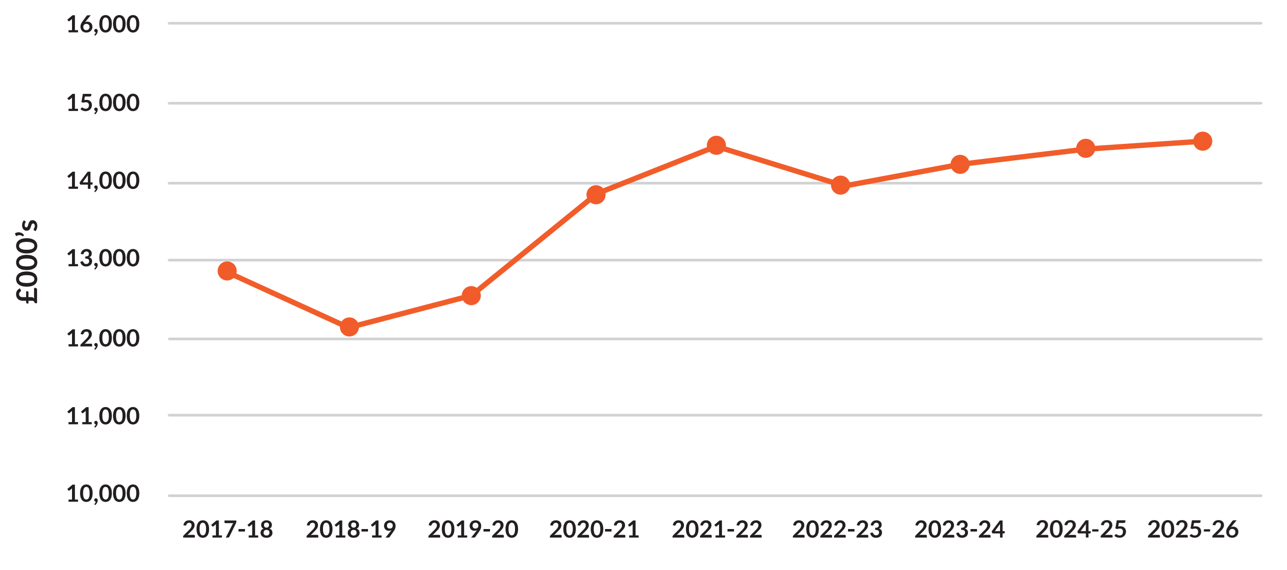
9. Historical financial performance

As shown in the table below, the Group has significant financial strength over the past five years. Our operating profit has been healthy and the Group's asset base has also strengthened, due to the Group's diversified activities and enlarged development programme. All of these factors have helped to generate additional capacity to build more new homes.

Statement of comprehensive income	31 Mar 2017 £'000	31 Mar 2018 £'000	31 Mar 2019 £'000	31 Mar 2020 £'000	31 Mar 2021 £'000
Total turnover	46,577	50,195	50,592	57,824	62,254
Operating costs	(31,566)	(34,223)	(33,473)	(40,381)	(43,304)
Revaluation of investment properties	831	393	1,747	662	1,035
Surplus on sale of housing properties	1,752	816	1,207	2,915	859
Operating surplus	**17,594**	**17,181**	**20,073**	**21,020**	**20,844**
Operating profit %	38%	34%	40%	36%	33%
Surplus for the year transferred to reserves	8,764	11,668	7,222	20,397	3,448

Statement of financial position	31 Mar 2017 £'000	31 Mar 2018 £'000	31 Mar 2019 £'000	31 Mar 2020 £'000	31 Mar 2021 £'000
Fixed assets	171,004	187,375	264,470	290,768	314,352
Net current assets	6,766	8,974	25,458	53,258	70,201
Creditors over one year	(169,414)	(176,325)	(262,682)	(296,382)	(333,462)
Total net assets/(liabilities)	**8,356**	**20,024**	**27,246**	**47,643**	**51,091**

Forward looking financial performance: core operating costs



Definition of core operating costs: total operating costs excluding property cost of sales as these costs are controlled within the Group's appraisal parameters framework, increase in bad debt provision as this is non cash, depreciation as this is non cash, services costs as these are recoverable and repairs costs as these fluctuate with volume.

The core operating costs show that over the period from 2017-18 to 2023-24, core operating costs increase initially as the Group has invested, and continues to invest up to 2021-22 in key strategic projects. After 2022-23, the Group's underlying cost base in increasing in line with inflation.

Forward looking financial performance: EBITDA

	31 March 2022	31 March 2023	31 March 2024
EBITDA MRI (£'000)	13,685	15,982	15,426
EBITDA MRI % *	138%	160%	157%
Average interest rate % per debt	3.83%	3.88%	3.71%
Groupwide net debt per unit (£'000)	22.2	23.8	25.9

** EBITDA MRI % = earnings before interest, tax, depreciation and amortisation, major repairs costs included, as a percentage of interest payable.*

The Group's EBITDA MRI (major repairs included) is set to move in line with the continued increase in investment in existing homes such as component replacements and other planned works. The EBIDTA MRI percentage decreases as more debt is drawn down to fund the delivery of more new homes as part of the growth objective. This outcome has been modelled and stress tested in the Group's business plans to ensure that no significant risks of covenant breaches occur as the debt grows. In addition, refinance risks are effectively managed. Business plans are robust and financially viable in a variety of scenarios where adverse economic conditions have been tested. The average interest rate ranges from 3.71% to 3.88% over the next three years. It varies as fixed rate loans expire and are replaced with variable debt.

Loan covenant compliance

Covenant forecasts		2020-21 Actual	2021-22 Forecast	2022-23 Forecast	2023-24 Forecast	2024-25 Forecast	2025-26 Forecast
Gearing forecast: Group	RBS	62%	57%	57%	57%	58%	56%
Gearing covenant: Group		85%	80%	80%	75%	75%	70%
Internal limit (4% below covenant)		81%	76%	76%	71%	71%	66%
EBITDA MRI interest cover	RBS	187%	138%	160%	157%	148%	178%
EBITDA MRI interest cover covenant		110%	110%	110%	110%	110%	110%
Internal Limit		121%	121%	121%	121%	121%	121%
Asset cover	Lloyds	220%	231%	239%	248%	259%	271%
Asset cover covenant		105%	105%	105%	105%	105%	105%
Internal limit		120%	120%	120%	120%	120%	120%
EBITDA MRI interest cover	Lloyds	404%	414%	429%	491%	526%	535%
EBITDA MRI interest cover covenant		110%	110%	110%	110%	110%	110%
Internal limit		121%	121%	121%	121%	121%	121%
Gross/Net financial indebtedness	Lloyds	25%	23%	21%	20%	19%	18%
Gross/Net financial indebtedness covenant		≤50%	≤50%	≤50%	≤50%	≤50%	≤50%
Internal limit		≤47%	≤47%	≤47%	≤47%	≤47%	≤47%

As shown in the table above, the Group's loan covenant performance is forecast to comply over the next five years, with sufficient headroom. This demonstrates the strength of the organisation and the capacity to do more. During 2020-21, the valuation basis utilised for asset cover switched from Existing Use Value Social Housing (EUV-SH) to Market Value Tenanted (MVT). The Group has stress tested its business plans and headroom remains strong under a variety of scenarios.

10. Potential future VFM gains achievable through alternative commercial, organisational and delivery structure

The Board has reviewed a number of alternative delivery structures to consider potential VFM gains. In addition, changes to the Group's operating model have been also been made to drive value for money.

Corporate restructure

Work was completed to successfully amalgamate the grounds maintenance company (Futures Greenscape Limited) from 1 April 2021. Work has begun to combine the two main registered providers (Futures Homescape Limited and Futures Homeway Limited). This simplification of the structure will lead to efficiency and economy savings, particularly in the areas of governance and financial reporting.

Group-wide financing arrangement

The Group refinance that was completed in 2019-20 continues to deliver enhanced borrowing power to meet the growth ambitions. Further refinances are planned to continue development of new homes and investment in existing stock. The Group's average borrowing costs have reduced which also contributes to increased financial strength.

Repairs Academy

The Repairs Academy has continued to train our apprentices (24 full time equivalents during 2020-21) alongside the Group's in house repairs team. It is expected that as the apprentices become qualified and experienced, a higher proportion of work can be completed in house, saving VAT on labour costs.

Acquisitions

The Group has not completed on any stock rationalisation acquisitions during the year. All new opportunities that meet the Group's aspirations for geographical location, tenure etc will continue to be reviewed and if they meet the Group's internal financial parameters, then bids will continue to be placed.

Mergers

The Group actively seeks and reviews potential merger opportunities. The Board has set criteria that would need to be met for merger opportunities to be explored. These include maintaining agency, improved services and overall gains for the East Midlands and an increase in the number of homes over and above what could be delivered by the separate parties on their own.

Process automation technology

The Group has implemented automation, starting with streamlining the Direct Debit process that now runs 24 hours a day, seven days a week, saving circa 17 hours of staff time per week. The Group is rolling this out to other processes across the business.

11. Analysis of non-social housing activity performance

The Board has steered the Group towards diversifying its activities over recent years to achieve gains to support the delivery of further social housing. Gains are generated through an increased level of shared ownership sales, outright sales and market rent properties. The table below summarises the gains over the past four years and includes a three year future forecast.

Past and future gains	2017-18 £'000's	2018-19 £'000's	2019-20 £'000's	2020-21 £'000's	2021-22 £'000's	2022-23 £'000's	2023-24 £'000's
Profit from property sales							
RTB/RTA	816	945	2,915	859	848	950	992
Shared ownership	248	1,881	590	199	1,186	675	222
	1,064	**2,826**	**3,505**	**1,058**	**2,034**	**1,625**	**1,214**
Profit from diversified activity*							
Outright sales	308	40	655	913	-	447	-
Market rent	455	879	890	160	163	166	170
** profit before loan interest*	**1,827**	**3,743**	**5,050**	**2,131**	**2,197**	**2,238**	**1,384**

As shown in the table above, diversified activities and property sales are contributing to the Group's overall capacity to deliver further social housing and our targets are detailed in section 2 (Growth).

While there are costs associated with diversified activities, they all show to be positively contributing to the Group's operating profit, which in turn enables the Group to service more debt for the development programme.

The risk of diversified activity is reviewed regularly by the Board, Audit and Risk Committee and the Group's Asset Investment Committee. The business plans are built in line with the Group's key rules for financial management which ensures that business plans are in no way dependent on sales receipts to meet existing and future liabilities, to meet loan covenants and operate within existing facilities.

The refinance risks within the Group's business plans are always maintained as at least 24 months away and sufficient unencumbered stock exists to raise the new debt required by the business plans.

In addition to these controls, the Group has in place a £7.5m outright sales exposure cap to ensure that any risks associated with declines in property markets can be contained. The Board regularly reviews this limit and may change it in the future.

End of VFM statement

Governance

The Group has a Co-terminous Board, consisting of the boards of FHL, FHW, FHG and 5D. FGL, FFL, FTP and LHD operate separate Boards, as outlined earlier in the report, the operations of FGL will cease to trade at 31 March and operations will transfer to FHL and FHW. The diagram below shows the governance structure and assurance map.

Co-terminus Board

FHG

FHL

FHW

5D

- Boards and committees terms of reference
- Annual reports and financial statements
- External audit letter
- Policy management framework
- Set risk appetite
- Set corporate plan and monitor delivery
- Regulatory compliance
- Internal audit annual plan
- Monitoring of operating environment
- Annual reports inc. audit & risk, health & safety Remuneration, Asset Investment, Insight & Scrutiny
- H&S champion and HSE forum
- Statement of internal control
- Assets and liabilities register
- CEO remuneration

FGL

- FGL risk map
- Performance reporting
- H&S reporting & training

FFL

- Group funding vehicle for bank debt

FTP

- Group funding vehicle for bond debt

Group Audit & Risk Committee

- Strategic risk report
- Internal audit report
- Annual reports and statements
- Treasury management
- VFM strategy, performance and compliance
- Covenant compliance monitoring
- Fraud update

Asset Investment Committee

LIMEHOUSE

- Asset investment and Limehouse risk map
- Development reports
- Performance reporting

Insight Committee

- Assessment of consumer standards compliance
- Customer measures
- Assurance on transformation and service change activity

Remuneration Committee

- Policy recommendationd
- Salary setting (excl. CEO)
- Salary benchmark reports

To support the Executive Team and Boards, a Co-Executive Team exists comprising of the Executive Team and other directors and senior managers across the business. This team meets regularly to drive and scrutinise performance. Strategy steering groups also drive through strategy implementation.

Futures Greenscape Ltd

On 23 March 2021, the Boards of FGL and FHL approved their respective companies to enter into a short form business and assets transfer agreement to come into effect at the close of 31 March 2021. This was to amalgamate the operations of FGL into the registered providers to streamline operations, enhance efficiency in financial reporting and strengthen FHG's cultural value to operate as one organisation. From 1 April 2021 all services previously undertaken by FGL were transferred to FHL and FHW. FGL then became dormant.

External environment

Regulator of Social Housing

The Regulator of Social Housing ('RSH') is the housing regulatory arm of the Government. Its role is to regulate registered providers of social housing to promote a viable, efficient and well governed social housing sector able to deliver homes that meet a range of needs.

Regulatory framework

The regulatory framework for social housing is made up regulatory standards that are classified as either economic or consumer. In addition there is a code of practice that registered providers need to comply with that supports the economic standards.

The Group continues to operate to the highest standards and its Boards can demonstrate that they manage the Group under the principles of co-regulation underpinned by a robust governance framework. Following an in-depth assessment in 2020 the Group has continued to maintain the highest G1/V1 regulatory rating.

The Charter for Social Housing Residents: Social Housing White Paper

This paper was first published in November 2020 and built upon the proposals set out in the Social Housing Green Paper published in August 2018. The White Paper is introducing a new charter for social housing residents which sets out what every social housing resident should be able to expect. It also sets out actions the Government will take to ensure that residents in social housing are safe, are listened to, live in good quality homes and have access to redress when things go wrong. Changes to the regulatory regime will be made through legislation to strengthen the Regulator's powers to hold landlords to account, all of which are detailed in the White Paper. Legislation to be introduced includes expanding their remit to explicitly cover safety and transparency and power to publish a code of practice on the consumer standards to be clearer on what landlords are required to deliver. The Regulator is also likely to publish a set of tenant satisfaction measures for all landlords to report on and expect landlords to evidence how they have aimed to improve tenant engagement. A new access to information scheme is likely to be introduced for customers.

Ultimately, the new charter will include a strengthening of the Regulator's powers to enforce the charter and manage failing landlords. This, combined with the robust economic regulation regime will provide a new framework for landlords to operate within.

The Board has fully engaged with the themes in the White Paper and taken part in a number of workshops to develop a consistent view of how the Group should shape its future activities to align with the new charter. Work is ongoing at the Co-Executive level to establish what, if any, gaps the Group may have preventing it from meeting the forthcoming legislative requirements. The Group has established 'owners' of all regulatory standards currently in place and this mechanism will form the basis of any new regulations to come to ensure compliance and evidence of compliance is maintained. The Group has sufficient flexibility in its business plans to fund any additional resource requirements it may have as a result of increased activity in areas relevant to legislative compliance.

Building Safety Bill

The *Building Safety Bill* was issued in draft in July 2020 and will be brought into formal legislation by 2023. The bill will introduce a new regulatory regime, overseen by the Health and Safety Executive, to enhance the fire and structural safety of new and existing residential buildings. Areas within the new bill include;

- An enhanced safety framework for high rise residential buildings and clearer accountability for those responsible for safety
- Providing a voice for customers and ensuring that they understand how they can contribute to maintaining safety in their homes
- Ensuring enforcement and sanctions are implemented to deter non compliance
- Ensuring appropriate construction products and materials are used
- Implementing a new national Building Safety Regulator to oversee the whole built environment;

and

- Developers of new homes to belong to a new Homes Ombudsman.

The Group does not currently own or manage any high-risk buildings taller than 18m (or six storeys) so not all of the new bill is relevant to FHG's homes. There are areas of good practice that the Group intends to fully adopt in the way it manages properties and communicates with customers to ensure its repairs, improvement and development functions will be compliant. In addition the Group will consider how it uses property data to share with customers, operatives and emergency services. There are a number of actions the Group has identified that it will implement over the next year. It is anticipated that the main change will relate to all new development schemes going through a new three phased 'gateway' approach to ensure that at the end of each key development stage (planning, construction and handover) that all building safety aims are achieved before starting the next stage. The Group's business plans have sufficient capacity to fund works and/or human resources required to achieve full compliance with the new bill.

Other health and safety

The Group has a comprehensive framework to ensure compliance with statutory responsibilities for fire safety, gas safety, lift safety, Legionella, asbestos and electrical safety, whether stock is owned, managed or leased. The Asset Investment Committee oversees the health and safety compliance, as well as there being a health and safety forum and a Repairs and Assets Group. Information is also reported to the Group Board.

Future Homes Standard

This new legislation will be introduced by 2025 and the current consultation indicates the new requirements will be that all new build homes should be future proofed with low carbon heating and leading levels of energy efficiency. Changes to the building regulations will be made to ensure this can be enforced. The Group has sufficient capacity in its business plans to ensure that all of the new build programme complies with the new regulations. While this will increase build costs per new home, it is envisaged that the Group will be able to achieve the targets set out in the corporate plan, amended as a response to disruption caused by Covid-19.

New Affordable Homes programme

The Group has bid for a significant amount of funding through its strategic partnership with East Midlands Housing. If successful, the grant will enable the Group to continue delivering new housing supply to local and surrounding areas. Half of the programme will be for affordable home ownership and a new model has been introduced that allows customers to purchase a minimum of 10% equity in their home as compared to 25% under the previous regulation. In addition it will allow owners to purchase further shares in smaller instalments of 1%. A new allowance for responsive repairs is also provided in the new model so that new owners will qualify for a ten year repair-free period during which the Group will cover the cost. The Group has modelled the financial implications of this new model on its business plans and ensured there is sufficient capacity within the plans to fund the requirements of the new model.

Right to shared ownership

For homes built under the new Affordable Homes Programme, people living in rental accommodation will have a right to shared ownership so that they may choose to buy a percentage tranche of their home, starting from a minimum of 10%.

Covid-19

To mitigate the risk of disruption to services, customers and staff health and safety, the Group's business continuity plan was initially instigated on 2 March 2020 and again at each subsequent period of lockdown. The Group's response was being led by a tactical team, reporting into a strategic team for decision making. The tactical team met (virtually) frequently when required throughout the year and used the pre-existing pandemic business continuity plans to respond to this specific situation. As well as the business continuity team a transitional team was set up to deal with remobilisation plans and ensure that the Group had appropriate operating procedures including risk assessments with regard to any guidance from government.

In an ever changing situation throughout the year, the Group has adapted its operations in line with, and in compliance with, current government guidance at the time. The fundamental objectives are to minimise the spread of the virus, to have regard to the duty of care owed to the Group's employees and, as appropriate, to maintain a 'business as usual' service to the Group's customers.

Planned and responsive works, with the exception of urgent and emergency works, were reduced during lockdown periods. Development schemes were also paused where required. Where service levels needed to be reduced, actions were taken to ensure that the health and safety of customers, employees and contractors was maintained.

At the start of the year, due to a reduction in workload in some areas and initial constraints in the supply of PPE, 76 employees were furloughed with the majority returning by the end of May. All of the costs of the furlough payments have been met by the Group and not via the Government job retention scheme.

The Board was fully engaged with the Group's response to the pandemic throughout, and the well embedded agile working practices enabled critical actions such as home working to be instigated seamlessly.

Financial implications of the pandemic were constantly under review throughout the year, considering enhanced short term liquidity monitoring, income collection trend monitoring and enhanced stress testing to assess the impact of various scenarios on cash availability.

Further specific risk management information in respect of Covid-19 is detailed in the risk section of this report.

Brexit

There are numerous implications that Brexit may have over the long term to the Group and it is still too early to quantify those impacts. There continues to be economic uncertainty and risks of cost increases in supply chains needed for developing new homes and investing in existing homes. Risks have been identified on the strategic risk register and controls and sources of assurance have been put in place. These are included in the risk section of this report. The Board and the Audit and Risk Committee continue to monitor risks. The new corporate plan is fully supported by a robust financial plan that has been rigorously stress tested to accommodate potential financial risks arising from Brexit.

In terms of its supply chain, the Group has classified its contractors and applied a high, medium or low risk ranking which has been based on the value of the contract, material supply chain impact and labour supply chain impact. Work has been ongoing with suppliers to mitigate risk through regular communication and monitoring the financial status of suppliers so that early warning signs are detected. One aspect to risk mitigation is proactively sourcing alternative suppliers if the need arises through use of national consortiums and frameworks that are already in place.

The Group continues to monitor the effects on social housing demand and its development programme build costs and outright sales values and if required the development strategy will be reviewed.

Future funding of supported housing

The Government has confirmed that Housing Benefit will be kept in place to fund supported housing. Supporting people contract income is still received from local authorities but the amounts have reduced over the past few years and is now around £100k a year.

Rent policy

The new government rent formula has been applied from 1 April 2021. Under the regulations rents are permitted to increase by CPI plus 1%. FHG also applies the permitted rent tolerances to the calculation of social rents, being 5% for social rents and 10% for supported housing. For those customers not already at full target rent plus tolerance, their rents only increase in line with CPI plus 1% as stated in the rent regulations. New social rent tenants are set at formula rent plus full tolerance.

As part of the tenant consultation, the rationale for using rent flexibilities has been assessed and approved by the Group's Customer Insight Committee. The flexibility supports numerous services and activity lines delivered by the Group that require investment to be made and have direct benefit to customers. These initiatives include money advice, employment and training, digital services, lifelines, tenancy sustainment support services and increased housebuilding. In addition, capacity is created to help fund future environmental and sustainability investments in existing homes.

Universal Credit and welfare reform

The Government's plans to reform the welfare system are continuing, albeit against a backdrop of lobbying against the proposed changes. The Government has put temporary benefits uplift in place during the pandemic to help prevent rent debt. Despite the welfare changes that have already happened, the Group continues to manage the issue robustly with a focus on customer debt prevention. While the Group has seen an increase in arrears the actions taken by the Group have delivered exceptional rental arrears performance given the increased pressure as a result of the pandemic, with current customer rent and service charge arrears (net of provision for bad and doubtful debts) as a percentage of rent and service charges due being 1.6%. It is recognised however that the welfare system changes, and the ongoing pandemic and its longer term effects on the economy, are likely to increase rental arrears across the Group. Risk mitigation in respect of welfare reform is detailed in the risk section of this report.

Risk and uncertainties

The Board reviews the main risks that may prevent the Group from achieving its objectives every year as part of the corporate planning process. They are also monitored during the year by the Audit and Risk Committee. 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 operational based risk maps. The Group's approach to risk is not intended to eliminate risk but to identify, prioritise and manage key risks to support corporate objectives.

Corporate risks

The key corporate risks are outlined in the following table.

Risk	Current controls and sources of assurance
Increasing arrears / reducing cash receipts Risk of loss of cash through non-payment of rent that may affect the Group's ability to deliver its strategic objectives detailed in the new corporate plan.	• The Board monitors arrears performance quarterly. Tactical oversight is through the Co-Executive with reporting to Group Directors. • The Co-Executive monitor developments in the Government's welfare reform agenda and report key issues to the Board and Group Directors. • The Group's money advice model focuses on financial inclusion and capability. Digital self-serve and a direct phoneline through to money coaches offers instant solutions, while an intensive support element is available for customers identified as needing longer term help. Proactive contact for all customers making a Universal Credit claim supports a preventative approach to changes in customers circumstances that are a key driver for rent arrears. • All customers have been risk assessed (H/M/L) for rent arrears. These risk assessments have been used to forecast UC arrears. • Strong networking and partnership relationships exist across the Group where UC is live with the DWP and Job Centre. The Income team liaises with the DWP and uses its 'landlord portal' to maintain visibility around UC payments. • The internal audit programme includes assurance reviews of rent arrears management and welfare reform. 'Significant' assurance in 2018-19. A welfare reform internal audit is planned for 2020-21. • The Finance team undertakes daily cash flow monitoring with quarterly review by the Board and Group Audit and Risk Committee. • Business plans are updated to reflect government policy (e.g. the recent 1% rent reductions) with ongoing stress testing for further reductions. • Bad debt provision is reviewed through the annual budget setting process and reflected in the business plan. • An income transformation review ('Help me pay') completed in August 2017. From April 2018, with customer agreement, rents have been billed four weeks in advance. All new tenants are signed up to Direct Debit and there is a continued drive to move existing tenants onto Direct Debit. • Customers who can seek employment are referred to the employability officer.
Brexit Implications include: • Currency fluctuations that impact adversely on the supply chain with increased costs of goods and services and difficulties in obtaining products, for example as a result of materials stockpiling by repairs and/or development contractors and changes to customs, tariff and quota arrangements. • A UK skills shortage in construction and social care and support could increase development, maintenance and care and support costs. • Materials and labour shortages could delay repairs and increase rent loss on void repairs.	• The Group Directors and Co-Executive team monitor Brexit developments. Key developments are also reported to the Board and Group Audit & Risk Committee for review. • A supply chain assessment is being undertaken to establish exchange rate movement exposure. The Group operates a supply chain framework for materials with annual price increases linked to CPI. Other supplier price increases can be mitigated using other framework contractors. • Materials used in elemental works and planned maintenance are provided by the Group through its materials supply chain. Travis Perkins ('TP') equates to more than 90% of materials provision and their decision to stockpile will be based on their own commercial needs and the wider impact of Brexit on the UK economy. The Group has started liaising with regional directors to understand the policy and potential extent. TP imports around 20% of its materials and supplies from the EU. The Group does not currently operate an official materials store; • In the event of shortages FHG would reduce services to maintain statutory and regulatory compliance and use available properties to house customers safely. • Build costs and outright sales prices: the Board has approved financial parameters which are monitored. The Group will not usually undertake schemes which breach parameters. Where costs rise or sales prices fall, the parameters will not be met so may require review by the Group Directors and Asset Investment Committee. If required, the Board will also review the development strategy. Existing Limehouse controls include reporting of performance measures to AIC and financials to Board.

Risk	Current controls and sources of assurance

• An increase in the Group's pension fund deficit due to reduced investment returns.
• Reduced credit rating or access to affordable debt.
• Lack of consumer confidence resulting in a slowing housing market and ineffective delivery of Limehouse business plan.
• Corporate plan ineffective delivery.
• A recession could increase the demand for social housing, including homelessness.
• Adverse economic conditions could:
  • *reduce tenants' ability to pay their rent and/or maintain mortgage payments; and*
  • *result in revisions to housing policy and reduced access to government (grant) funding, including European grants.*
	• The Group reviewed the continuation of the local government pension schemes with its pension advisor. The Remuneration Committee decided to retain these schemes rather than pursue plans on defined benefit pension schemes. This was due to a high cessation charge compared to the ongoing cost increase of the provision.
	• The Group continues to monitor social housing demand.
	• Stress testing of business plans has included modelling the impact of adverse Brexit conditions.

Information governance Failure to have in place robust information governance arrangements leading to the inability to efficiently access or use data and information, compromises of information, non-compliance with our legal and regulatory obligations including: • ***GDPR and Data Protection Act 2018*** • **PCI DSS** • **CCTV Code of Practice 2020** • **Cyber Essentials+** This might result in regulatory interest, inefficient processes, data quality issues and working arrangements, financial penalty, reputational damage and business interruption.	• The Group has in place a designated data protection manager and DPO to ensure the continued compliance of GDPR across the Group and an information governance and security manger to lead in developing appropriate information and security data management. • All staff receive mandatory GDPR awareness training as part of their induction and every two years during their employment. • Data protection impact assessments (DPIA) are carried out for all new or amended systems or processes with high privacy risks. • The Group works with solicitors who provide legal advice and support. • GDPR risk and progress updates are reported quarterly to Co-Executive, and six monthly to the Group Audit & Risk Committee and Board. • The Information Governance Forum has an operational risk register which aims to provide assurances about the mitigation of operational information and data risks.

Risk	Current controls and sources of assurance
Economic climate The macro and micro economic climate may increase pressure on the Group's existing services. This would result in an increased number of businesses being unable to cope with further lockdowns and restrictions leading to supply chain issues. Inability to deliver the Group's strategic objectives detailed in the new corporate plan. Increases in homelessness resulting in increased reliance on services.	• The Board and Group Audit & Risk Committee monitors various key economic metrics. • Business plans are prepared using 'key rules for effective financial management', as detailed in the budget report approved by the Board. These include having spare facility headroom to cope with potential adverse economic conditions, no dependency on sales income to meet loan covenants, business plan to remain viable with base rates up to 4.5% and worst case treasury forecasts applied for inflation and interest rates over a five year period. • Quarterly stress testing of business plans assesses the impact of adverse economic conditions on loan covenants and ongoing viability. • Contractor financial resilience is assessed for all new suppliers. The Procurement team runs credit checks on new suppliers. • Reworked cashflows with new (stressed) assumptions reported to Board • Drawn down agreed loan facilities to maximise our liquidity. • Use of HQN's 'Iron grip stress testing' training for the Board and Group Audit & Risk Committee and Co-Executive (2019). More development with the Board was planned with HQN on 24 March 2020 – this did not take place due to lockdown and will take place face-to-face in 2021. • The Board approved further budget and business plan review including a stress testing resilience plan (which incorporates an assessment of the impact on key financial metrics and covenants) in August. • The Procurement team has been working with lead officers to identify critical contractors and fall-back plans have been developed to ensure that the Group's supply chain is resilient.
Government policy Government policy has an adverse impact on the company operations and/or finances. This includes an inability to access future government funding. This may result in the inability to deliver the strategic objectives in the new corporate plan.	• The Co-Executive team monitors developments in government policy, including bidding rounds and Chancellor Statements and report key developments and actions to the Board and Group Directors for example around the Volutary Right to Buy scheme. • Known and anticipated changes to government policy are incorporated into budgets and business plans which are stress tested and then reviewed and approved by the Board, with decisions recorded in minutes. • Regular reporting to the Board and/or Group Audit & Risk Committee on actual and expected policy changes including mitigating actions. • Internal audit of budget setting and approval processes. • The Group has historically been successful in Homes England grant funding bids and future funding is sought through continuous market engagement. Grant levels are currently increasing supporting scheme viability and/or options for tenure mix. • Work on tenure diversification is continuing. This incorporates the Government's expectation of using the asset base of the Group to deliver more social housing. • The Board sets the Group's strategic direction to incorporate the ability to be a partner of choice with Homes England. • The Group has responded to the Building a Safer Future: Proposals for Reform of the Building Safety Regulatory System consultation (NHF). • The Asset Investment Committee noted the Group's response to the Planning for the Future White Paper at their meeting on 7 October 2020 before it was submitted.

Risk	Current controls and sources of assurance
Resource planning Inappropriate planning of staff resource required to meet the changing strategic direction of the Group as well as not identifying the resource and skills needed to run departments, subsidiaries and projects which may lead to service failures, complaints or failure to deliver strategic aims resulting in regulatory issues. This extends to Group growth or contraction plans and the associated need to restructure.	• Resource planning is owned by the Co-Executive team and reviewed and discussed quarterly with the Group Directors. Approval for additional resource is sought through a business case to the Group Directors in line with the financial regulations. • The Group operates a resource planning approach which focusses on planning for specific key business scenarios such as business growth, impact from the external environment and other internal reviews to deliver the corporate objectives (e.g. transformation output). • Annual budget setting is informed by the resource plan which assesses current and future resource requirements necessary to deliver services / projects and strategies. As workstreams are progressed, implications for staff resource levels are monitored. • Internal audit reviews comment on resourcing and succession planning matters, where appropriate. • Reward and recognition is reviewed as part of a triennial benchmarking review which is next due in 2021. This review helps to ensure that the employee reward remains competitive and key partners are retained. The Group Directors consider report outcomes at meetings before making decisions. • The development of a high-level skills matrix that sets out the core skills and capabilities for each role and underpins future resource planning. This also ensures that team members have the right skills and that suitable training and development arrangements are in place. The People Services team transformation project and ongoing resource planning work will further develop this. • The Group's resource plan has been reviewed by the Co-Executive and Group Directors (alongside budgets) to address any additional skills or headcount requirements to subsequently inform the annual budget setting exercise for 2021-22 on forecasted resources.

Capital structure and treasury policy

The Group's long term funding requirements are forecast through business plans. The business model assumes that debt will increase in the early years to fund the purchase or development of stock and the improvement programme, after which it will gradually be repaid.

All abbreviations below are defined on Page 2 of this report.

The Group has in place two funding vehicles, FFL to hold bank funding facility of £110m and FTP to hold a £200m public bond. Both FFL and FTP have secured their funding on homes owned by FHL and FHW. These two main funding sources are permitted to be on-lent to FHL and FHW for the purposes of new development. In addition, up to £20m of the loan facility in FFL is permitted to be on-lent to any subsidiary of the Group for commercial activity.

As at 31 March 2021, FFL had £41.6m undrawn (2020: £3m). FTP's £50m retained bond was sold in June 2020.

5D borrows exclusively from Lloyds Bank with whom it has a £1.9 million debt facility in place. The current debt drawn down is £1.9m as at 31 March 2021 (2020: £2m). This is offset by cash and investments held of £5m (2020: £4m).

The total available liquidity of the Group as of 31 March 2021 is £114.8m (£76.3 cash and investments plus undrawn facility of £38.5m). The Group's treasury management policy states that the Group should manage its liquidity risk, i.e. the risk of the Group becoming unable to meet its financial obligations when they fall due, through ensuring that sufficient sources of funding are available. The Group should hold liquid funds, short term funds and medium term funds for rolling periods of three months, 12 months and 18 months respectively that can be accessed within appropriate timescales. Liquidity risk is effectively managed as the Group's cash and cash investments can be accessed within seven days and all committed debt facilities can be accessed within two days. The policy also states that the Group should ensure it will not require additional financing to meet its contractually committed obligations within a period of less than 24 months. The Group complies with this requirement in its annual budget business plans and monthly outturn plans. The Group is subject to refinance risk when the existing revolving credit facilities expire but this extends beyond 24 months.

The Group's current fixed to variable debt ratio ensures protection against interest rate increases and complies with the treasury policy which states that a minimum of 70% of debt should be fixed at any time. As further funding is secure, the proportion of fixed rate debt will be kept under review.

All of the Group's debt facilities are secured by fixed charges. The Group currently has around 3,000 unencumbered properties available to secure new debt which will form part of the next refinance to enable the Group to continue with its ambitious new development plans.

Accounting policies

The Group's principal accounting policies are set out in the notes to the financial statements. There were no significant changes to accounting policies in the current year.

Key estimates and judgements

The significant judgements and estimates made by the Group in the preparation of the financial statements are set out in the notes to the financial statements this includes details relating to a change in accounting estimate made during the year to the estimated useful economic life of the structural element of housing properties from 50 years to 100 years. This is a change in the measurement basis and has therefore been applied prospectively from 1 April 2020.

Events after the end of the reporting period

A claim has been received by Futures Homescape in respect of a development contract. Due to Covid-19 there was a 20 week delay and the contract with Futures allows for the other party to claim for their site costs. A provision has therefore been included in the accounts for £50k in respect of this potential liability. This is being negotiated with our legal team and the amount is based on the likely amount payable if the action is successful.

We consider that there are no other events since the financial year-end that have a significant effect on the financial position of the Group. While the financial impact of the pandemic is still ongoing and likely to lead to further significant economic decline both nationally and globally, the mitigating actions that the Group has put in place to manage these risks has enabled continued financial strength. The financial forecasts for the next two years show no issues in relation to covenant compliance.

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.

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.

Statement of compliance

In preparing this strategic report, the Board has followed the principles set out in the Housing SORP 2018 (Statement of Recommended Practice for Social Housing Providers).

Futures Housing Group and its subsidiary companies which are registered providers of social housing are required to comply with the Regulatory Standards included in the Regulatory Framework and to certify compliance annually with the Governance and Financial Viability Standard.

During the year the Board has overseen an assessment of compliance with each of the Regulatory Standards. The outcome of the annual assessment was reported through an annual statement of internal control which the Board approved. As a consequence the Board can certify that the Group was in full compliance with the Governance and Financial Viability Standard for 2020-21 throughout the course of the year and up to the date of signing of the accounts.

Section 172 statement

The directors have had regard to their duties as set out in section 172 of the *Companies Act 2006*. The duty of directors is to act in good faith and to exercise powers diligently so as to promote the success of the company for the benefit its stakeholders. There are six key factors which demonstrate these duties.

i Decision making is fully supported by financial and non-financial information. For those decisions likely to have a significant material impact on the short, medium and long term financial plan of the Group, the potential impact is assessed through financial modelling using robust financial assumptions and subject to stress testing.

Key decisions in this area during the year include:

- In August 2020, the Board approved a newly restated budget and business plan in response to the potential financial impact of Covid-19.
- Approval of the 2021-22 budget and business plan for the next financial year to enable the delivery of corporate plan ambitions while maintaining sufficient headroom within its funding capacity to allow the Group to withstand a multitude of economic pressures.
- Acquisition of Futures House, the new head office, following a detailed cost/benefit analysis.
- Increasing investment in the tenant sustainability agenda for areas such as the public realm and liveable standards that enable a smooth transition for customers in their first rented home, and
- Increasing investment in environmental sustainability, such as external wall insulation, to mitigate the risks of fuel poverty.

ii Interests of the Group's employees are protected through a number of mechanisms including salary benchmarking, pension scheme arrangements and proactive benefit programmes such as health cash plans and private medical insurance. The Group works with external bodies to ensure ongoing compliance with employment legislation and best practice. Employees are consulted regularly and provided with information via employment working groups and the 'Our Futures Voice' forum. The Group invests significantly in training and skills development for all staff across the business. A robust policy framework is also in place, including policies for code of conduct and health and safety. An annual staff engagement survey takes place which captures valuable information to inform future activities and results indicate a high response rate and an overall staff engagement score of over 80% which is considered to be a strong performance when benchmarked with others. Additional surveys have been undertaken through the pandemic and staff indicated that they were finding the latest lockdown more difficult to cope with than the previous ones. The Group's health and wellbeing strategic plan will continue to focus on both physical and mental wellbeing, and practical steps were discussed at one of the Group Wider Management Team meetings.

Key decisions in this area during the year include:

- Salary uplift of 1.5% for all staff.
- Investment in the 'Leadership Academy' to develop management and coaching skills for staff, empower staff and devolved decision making.
- Investment in health and wellbeing initiatives.
- Setting up an equality, diversity and inclusion group.
- Improved staff engagement and people processes culminating in the Investors in People platinum standard shortly after the financial year-end.
- Increased investment in technology to enable to staff to work in an agile way.
- Furloughed staff during the year received 100% of their salary and no monies were claimed from the Government to fund this, and
- No redundancies as a result of Covid-19.

iii Relationships with suppliers are maintained across all departments through contract management processes led by the relevant contract manager and supported by the Procurement team. Relationships with customers are managed through a variety of ways that are set out in the corporate plan.

Key decisions in this area include:

- Exploring new procurement frameworks not utilised by the Group before to reach a wider supplier base while maintaining efficiency in procurement practices.
- Extending the existing FAC-1 framework to continue existing relationships that have proven successful for both suppliers and the Group.
- Enhanced monitoring of key contractors to ensure continuity of supplies and early warning signs of contractor viability issues to be identified for mitigating actions to be implemented, and
- Increased customer engagement throughout the pandemic to support customers. This included various initiatives such as issuing care packages for the more vulnerable.

iv The impact of the Group's operations on the community are managed effectively through providing mixed tenure housing, estates management services, support services and grounds maintenance services. In addition, the Group's health, safety and environment policy creates a framework for operating within to ensure that the Group complies with regulation in these areas.

Key decisions in this area include:

- Investment in an Asset Maximisation team to deliver regeneration and renewal of poor performing assets or assets which cannot be made fit to comply with future decarbonisation regulations.
- Continued investment in a large scale development programme to deliver an increase in housing supply and an enhancement to the quality of homes delivered to comply with the Future Homes Standard.
- Continuous scrutiny of health and safety by the Board and Asset Investment Committee during the year, and
- Continued funding for employability initiatives and delivery of apprenticeships.

v The Group strives to maintain a reputation for high standards of business conduct. The Group caries out an annual assessment of compliance with regulatory standards and has achieved top gradings for governance (G1) and viability (V1) from the regulator year-on-year. In addition the Group carries out an annual assessment of compliance with the National Housing Federation's Code of Governance, and an assessment of compliance with all relevant law. The Group also has in place a probity policy, code of conduct for board directors, standing orders and financial regulations, a fraud and financial crimes policy and a whistleblowing policy. All of these ensure that board directors and other staff have a clearly defined framework for conducting company business. Regular internal audits take place to also provide assurance to the Board, through the Audit & Risk Committee, that policies are being complied with.

Key decisions in this area include:

- Continued investment in the Group's Governance team to deliver a tightly governed operating model that serves the needs for high standards of business conduct and for demonstrating how the Group acts fairly between all corporate entities and Boards; and
- Key recommendations of the recent governance review are being implemented to strengthen efficiency and controls such as amending the delegations framework within the standing orders and financial regulations, the merger of FHL and FHW, and the closure of FGL.

v To demonstrate the need to act fairly between members of the company, the Group has a corporate structure with terms of reference for all corporate entities and Boards. These terms of reference, coupled with the code of governance, ensures that board directors act in the best interest of the companies they serve.

v As well as complying with the SECR regulations, the Group intends to enhance its approach to ESG reporting to include adopting the Sustainability Reporting Standard for Social Housing. Sustainability reporting is relevant to the Group's investors and is a key tool to demonstrate the Group's delivery on the Social Housing White Paper expectations, Future Homes Standard and Energy White Paper.

The Group is currently working on a roadmap and ESG strategy to articulate its strategic approach to sustainability and how it will be embedded throughout the organisation.

In approving the strategic report, the Board is also approving the strategic report in its capacity as the Board of the company.

The strategic report was approved by the Board on 27 July 2021 and signed on its behalf by:

Mike Stevenson
Chair of the Board

Report of the Board

Board members and executive directors

The Group's present board directors and executive directors and those who served during the period are set out on page 3. 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 Group Director of Finance & Resources, the Group Customer Experience Director and the Group Director of Strategic Partnerships & Growth.

The Group Chief Executive is a member of various boards including the East Midlands Chamber of Commerce and is an active member of the Chartered Institute of Housing, currently playing a key role in helping boost the housing sector's profile with central government as part of the National Housing Federation's Political Positioning Group.

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. The Chief Executive's notice period is twelve months and other executive directors' notice periods are six months.

Pensions

The Group's executive directors are members of either the Derbyshire County Council defined benefit pension fund or the Group's defined contribution pension scheme. 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 the Group's executive directors' emoluments are included in note 11 to the audited financial statements.

Employment of disabled persons

The policies provide that full and fair consideration will be given to disabled applicants for employment and that existing employees who become disabled will have the opportunity to re train and continue in employment.

No unnecessary limitations are placed on the type of work which disabled persons can perform and the policies ensure that in appropriate cases, consideration is given to modifications to equipment or premises and to adjustments in working practices.

Donations

Futures Housing Group made £2.5k in charitable donations during in the year (2020: £1k). The Group made no political donations.

Financial instruments

The Group's treasury policy has rules to effectively manage credit risk, liquidity risk and cash flow risk which has been complied with. These rules include ensuring that no more that £7.5m can be held on deposit with a single counterparty and that a minimum of 50% should be instantly accessible should this be required in an emergency. Treasury performance is reported quarterly to the Board, including analysis on the credit rating of counterparties and the forward looking funding profile. As at the 31 March 2021, 95% of all loans have a fixed rate to allow the Group to mitigate adverse interest rate movements rather than using derivatives to hedge this risk.

Going concern

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

The Covid-19 pandemic led the Group to instigate mitigation strategies to further protect the Group's cash flows from unknown economic pressures that may occur as a result of a possible global economic decline. These strategies included pausing ongoing new development schemes, pausing entering into new capital commitments for new development and other strategic projects and enhancing reporting and monitoring controls to detect trends on a daily basis. The Group also furloughed a number of staff who could not continue their day jobs, for example as a result of reduced repairs services during lockdown. These mitigating actions have now ceased and the Group has returned to normal levels of operating activity. The Group's cash flow forecasting demonstrates the ability to continue operating as a going concern without any reliance on sales income or grant income and with extra contingency funds ringfenced to create additional strength to deal with adverse economic conditions. It should be noted that the Group sold its £50m of retained bonds which allows the Group to continue its development plans. The Group has stress tested these cashflows to ensure that the risk of non-compliance with loan covenants is effectively managed. Using current financial forecasting, there is low risk of non-compliance with loan covenants over the next five years.

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

Legal compliance

The Board recognises FHG's responsibility to ensure ongoing legal compliance as a result of the law constantly being updated. It also recognises the RSH'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.

To ensure compliance, the Group works with Anthony Collins LLP, to assist in assessing the extent to which it complies with relevant English law. This process involves the use of a legal compliance checklist, designed to highlight any potential legal non-compliance in relation to the Group's core business. This review is overseen by the Group Audit & Risk Committee and reported to the Board. The review 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.

The process for identifying, evaluating and managing the significant risks faced by the Group is ongoing, and has been in place throughout the period beginning 1 April 2020 up to the date of approval of the annual report and financial statements. The Board and the Group Audit & 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 & Risk Committee, Remuneration Committee, Insight Committee and Asset Investment Committee.
- Clearly defined management responsibilities for identifying, evaluating and controlling of significant risks.
- Robust strategic and business planning processes.
- Quarterly review of the risk map by the Group Audit & 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 annually.
- An ongoing framework of reviews across the Group to ensure quality and best practice is maintained.
- Regular reporting to senior management and to the appropriate committees of key business objectives, targets and outcomes.
- A fraud policy (including whistle blowing and corruption), and
- 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 & Risk Committee to regularly review the effectiveness of the systems of internal control. The Board receives regular reports from the Group Audit & Risk Committee together with minutes of the Committee's meetings.

The means by which the Group Audit & 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 & 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.

Streamlined energy and carbon reporting

The Group is required to comply with the streamlined energy and carbon reporting ('SECR') regulations and the following table and chart show the past two year trend in emissions and energy consumption. The results show that around half (47%) of FHG carbon emissions comes from FHG controlled vehicle operations (scope 1), while approximately 53% comes from building energy (natural gas scope 1 + electricity scopes 2 and 3).

The comparison between SECR year 1 (2019-20) and SECR year 2 (2020-21) shows that the Scope 1 natural gas emissions appear to have risen compared to SECR year 1, because of an increase in natural gas consumption included within reporting scope. There is also a small increase in electricity emissions (Scopes 2 and 3) in SECR year 2 compared to SECR Year 1, again because of an increase in electricity consumption within scope.

However, because of a significant reduction in vehicle utilisation in SECR year 2 compared to SECR year 1, and further decarbonisation of the electricity supply grid, the overall impact for total carbon emissions (all scopes) shows a reduction of around 8% in total emission for SECR year 2 compared to year 1.

Carbon Emissions Table

GHG emissions and energy use data for SECR year 2 period 1 April 2020 to 31 March 2021 compared against previous SECR 1 (2019-20)

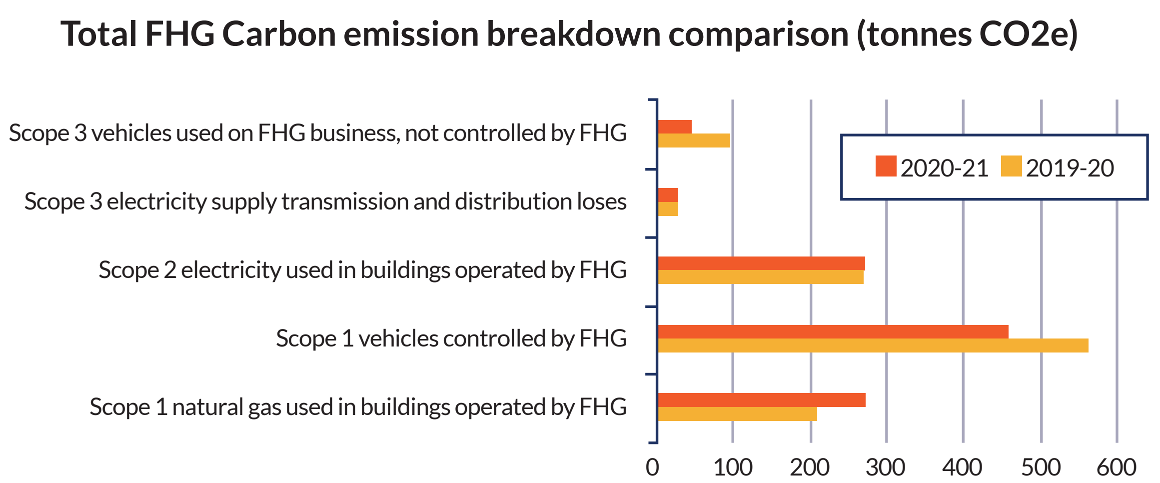
Emission source	Units	SECR year 1 2019-20	SECR year 2 2020-21	Movement (% diff. to year 1)	*Guide note:*
Energy consumption for which the organisation is responsible used to calculate emissions:					
Scope 1					
Natural gas utilised	kWh	1,124,850	1,466,469	x 30%	1
Vehicle operations	litres	146,152	119,697	√ -18%	2
Scope 2					
Electricity (supplied from National Grid)	kWh	1,009,470	1,129,924	x 12%	3
Corresponding emissions from activities for which the company is responsible:					
Scope 1					
Natural gas utilised	tCO2e	207	270	x 31%	4
Vehicle operations	tCO2e	562	456	√ -19%	5
Scope 2					
Electricity (supplied from National Grid)	tCO2e	267	270	1%	6
Total gross Scope 1 & Scope 2 emissions	**tCO2e**	**1,035**	**996**	-4%	**7**
Emissions intensity ratio:					
Annual turnover (corresponding reporting year)		£50,600,000	£63,489,000		8
Intensity ration: tCO2e (gross Scope 1 + 2) / £100,000 revenue	tCO2e/ £100,00	2.05	1.57	√ -23%	9
Energy consumption for which the organisation has no direct operational control:					
Scope 3					
Electricity (supplied from National Grid)					
Transmission & Distribution	kWh	1,124,850	1,466,469	x 30%	10
Vehicles (not owned or controlled by organisation)	litres	36,848	17,380	√ -53%	11
Corresponding emissions from activities outside the direct control of the organisation:					
Scope 3					
Emissions from purchase of electricity T&D losses	tCO2e	23	23	2%	12
Emissions from vehicles (not owned or controlled by organisation)	tCO2e	96	43	√ -55%	13
Total gross Scope 3 emissions	**tCO2e**	**119**	**66**	√ -44%	**14**
Total gross Scope 1, Scope 2 & Scope 3 emissions	**tCO2e**	**1,154**	**1,062**	√ -8%	**15**
Carbon offset / tCO2e	tCO2e	0	0		16
Total annual net emissions reported tCO2e	**tCO2e**	**1,154**	**1,062**	√ -8%	**17**

x *Siginificantly worse* *Marginally worse* *Improvement* √ *Siginificant improvement*

ESG (environmental, social, governance)

Notes to emissions table:

1. Scope 1 natural gas used = kWh gas consumption used to deliver services and carry out business.
2. Scope 1 vehicle operations = fuel used in FHG owned/operated and controlled vehicles for company business activity.
3. Scope 2 electricity = kWh electricity from the National Grid used to deliver service and carry out business.
4. Scope 1 natural gas carbon emissions based on kWh energy used (item 1).
5. Scope 1 vehicle carbon emissions based on vehicle fuel used (item 2).
6. Scope 2 electricity carbon emission based on kWh energy used(item 3).
7. Total scope 1 and 2 emissions (item 5 + item 6).
8. Annual financial turn-over corresponding to reporting year.
9. Intensity ratio = ratio of financial turnover (item 9) to total scope 1 and 2 emissions (item 7), giving indication of the Group's impact on total carbon emissions.
10. Scope 3 electricity = kWh electricity from the National Grid used to deliver services and carry out business associated with National Grid transmission and distribution losses (that FHG have no direct control over).
11. Scope 3 vehicle operations = fuel used in vehicles not owned/operated and controlled by FHG - but used for company business activity.
12. Scope 3 electricity carbon emission based on kWh energy used (item 10).
13. Scope 3 vehicle carbon emissions based on vehicle fuel used (item 11).
14. Total scope 3 emissions (item 12+ item 13).
15. Total all scope emissions (item 7 + item 14).
16. Carbon off-sets that have been formally verified.
17. Resultant total carbon emissions reported (item 15 –item 16).



As well as complying with the SECR regulations, the Group intends to enhance its approach to ESG reporting to include adopting the Sustainability Reporting Standard for Social Housing. Sustainability reporting is relevant to the Group's investors and is a key tool to demonstrate the Group's delivery on the Social Housing White Paper expectations, Future Homes Standard and Energy White Paper.

The Group is currently working on a roadmap and ESG Strategy to articulate its strategic approach to sustainability and how it will be embedded throughout the organisation. This roadmap will take account of existing homes, offices, supply chains, and new builds and include consideration of energy and resource use, transport and travel, resident engagement, climate risk, biodiversity and responsible resourcing. A gap analysis has been carried out which has included benchmarking against a peer group of 40 housing associations that is intended to highlight the Group's current environmental performance versus aspirational environmentally safe levels of impact.

For existing homes, the average SAP of properties (currently 68%) is a useful measure that indicates the efficiency level per square metre for heating, hot water, lighting, pumps and fans which are all regulated in terms of emissions they produce. The EPC rating is also to indicate efficiency; potential fuel poverty risks may arise within homes that have a SAP below 69% and an EPC rating of below C. The Group's sustainability roadmap will set out how the Group intends to increase its average SAP rating and achieve a minimum of EPC C in line with government targets. The Group's 2021-22 business plan has included a new funding allocation for sustainability works of £8.5m over the next five years that is aimed at increasing the number of homes achieving an EPC of C or above and increase the Group's average SAP rating. The roadmap will factor in benefits of disposal of poor performing properties to recycle sales proceeds into delivery of more efficient homes.

For new builds, the Group's trend in the past has been to deliver homes that are EPC B or above. The new roadmap will outline the Group's approach to delivering a minimum EPC standard, what that standard will be and how it intends to balance the increased cost of delivering a higher minimum standard with its corporate ambition to increase the supply of new homes.

For the offices, as the Group is moving to a new office in Autumn 2021 with a smaller footprint and more modern build type, it is envisaged that its carbon emissions will be improved (predicted to be 21.26 kgCO2/m2 with EPC rating B compared to the previous office having an EPC rating C). The Group intends to harness benefits obtained and lessons learned from Covid-19 lockdowns and remote working to improve on its environmental impact in areas such as business mileage, energy usage, waste and office consumables.

For the supply chain, the Group intends to enhance its procurement approach to build in ESG metrics to tender processes, for example from 2021 all tenders over Public Contracts Regulations ('PCR') 2015 thresholds will include a minimum 5% weighting on sustainability and social value initiatives. This will allow the Group to ensure it can measure the wider impact of contractors and suppliers on delivery of ESG objectives. The procurement team will be investigating the application of the HACT calculator during 2021-22 as part of the ongoing commitment to improvement of monitoring in this area.

A key part of our carbon footprint relates to the activity of customers. The Group will seek to implement education and behavioural changes programmes that support both carbon reduction and support sustainable tenancies.

Statement of the responsibilities of the Board

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 ('SORP'): Accounting by Registered Social Housing Providers 2018, have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the accounts on a going concern basis unless it is inappropriate to presume that the company will continue in business.

The Board is 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 (April 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 Board confirm that:

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

Information set out in the strategic report

In accordance with S414C(11) of the Companies Act, the company has chosen to include information in respect of its financial risk management objectives and policies, exposure to risk and likely future developments in the business of the company in the strategic report. This information would otherwise be required by Schedule 7 of the *Large and Medium sized Companies and Groups (Accounts and Reports) Regulations 2008* to be contained in the report of the Board.

External auditor

BDO LLP were re-appointed as auditor at the Board meeting on 22 September 2020. The report of the Board was approved by the Board on 27 July 2021 and signed on its behalf by:

Mike Stevenson
Chair of the Board

Independent auditor's report to members of Futures Housing Group Limited

Opinion on the financial statements

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the Association's affairs as at 31 March 2021 and of the Group's and the Association's incoming resources and application of resources, including its income and expenditure, for the year then ended.
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the requirements of the *Companies Act 2006*, the *Housing and Regeneration Act 2008* and the *Accounting Direction for Private Registered Providers of Social Housing 2019*.

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

Basis for opinion

We conducted our audit in accordance with *International Standards on Auditing (UK) ('ISAs (UK)')* and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit opinion is consistent with the additional report to the audit committee.

Independence

Following the recommendation of the audit committee, we were appointed by Group Board to audit the financial statements for the year ended 31 March 2019 and subsequent financial periods. The period of total uninterrupted engagement including retenders and reappointments is three years, covering the years ended 31 March 2019 to 31 March 2021.

We remain independent of the Group and the Parent Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the

FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Group or the Parent Association.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Board's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Board's assessment of the Group and the Parent Association's ability to continue to adopt the going concern basis of accounting included:

- obtaining management's assessment that supports the Director's conclusions with respect to the disclosures provided around going concern including reviewing the three year forecasts.
- consideration of the forecasts prepared by management and challenge of the key assumptions based on our knowledge of the business. As referred to in basis of preparation note, management has modelled reasonably possible downside scenarios.
- in preparing the forecasts a number of scenarios were modelled by management include a reverse stress test to analyse the impact on covenant compliance in a scenario with multiple adverse conditions. Considering the appropriateness of the scenarios and challenging management.
- challenging management on the suitability of the mitigating actions identified by management in their assessment and the quantum and period ascribed to these mitigating actions. We reviewed the reasonableness of the proposed mitigations and if they mitigations were entirely in the control of management to action.
- obtaining an understanding of the financing facilities from the finance agreements, including the nature of the facilities, covenants and attached conditions and considered covenant headroom in forecasts, and
- reviewing the wording of the going concern disclosures, and assessed its consistency with management's forecasts.

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

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

Overview

<table>
<tr><td>Coverage</td><td>100% (2020: 100%) of Group profit before tax
100% (2020: 100%) of Group revenue
100% (2020: 100%) of Group total assets</td></tr>
<tr><td>Key audit matters</td><td><table><tr><th></th><th>2021</th><th>2020</th></tr><tr><td>Carrying amount of properties developed for resale</td><td>■</td><td>■</td></tr><tr><td>Going concern</td><td></td><td>■</td></tr></table>Going concern is no longer considered to be a key audit matter because the level of uncertainty associated with forecasting has decreased this year and the impact of the Covid-19 pandemic and associated lockdowns is better understood.</td></tr>
<tr><td>Materiality</td><td>Group financial statements as a whole

£1,450,000 (2020: £4,500,000) based on 6.75% (2020: 1.25%) of adjusted operating profit (2020: total assets).</td></tr>
</table>

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Board that may have represented a risk of material misstatement.

The significant components for Group purposes were the parent entity, Futures Homescape Limited, Futures Homeway Limited, Futures Finance Limited, Futures Treasury PLC, Five Doorways Limited and Limehouse Development Limited. We have performed statutory audits on all components in the group for the purposes of reporting on their individual financial statements and for group/consolidation purposes.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter		How the scope of our audit addressed the key audit matter
Carrying amount of properties developed for resale This relates to items included in note 18 of the financial statements. This area also represents a key judgment made by management as described on page 68.	As explained in note 18, properties developed for sale, including shared ownership first tranches and properties developed for outright sale, are measured at the lower of cost and net realisable value resulting in an amount recognised in the balance sheet of £7.108m. For completed properties at the balance sheet date, an assessment is needed of an anticipated selling price. For properties in development at the balance sheet date, an assessment is needed of an anticipated selling price and a determination of the expected costs to complete. Due to the level of judgement involved in estimating both selling price and costs to complete we considered there to be a significant risk that the carrying amount of properties developed for sale is misstated and was therefore a key audit matter.	Having obtained management's assessment of the net realisable value of properties developed for sale, we tested this on a sample basis. Our samples were chosen from the populations of items that represented both developments under construction as well as completed developments at year-end. For a sample of completed properties, we agreed the amounts involved to supporting documentation where the property was sold post year-end. Where the property was not yet sold we obtained third-party housing market information to confirm that properties were held at the lower of cost and net realisable value. For a sample of properties under development we obtained details of the expected costs to complete from the scheme budget for that development and agreed the budgeted contracted cost of the development to the latest contract documentation. We examined supporting documentation for anticipated sales proceeds and we compared the incurred expenditure to the balance sheet date to the estimated amount at that date. We also assessed the accuracy of cost forecasting by looking at outturn costs compared to budget on schemes that completed in the year. **Key observations:** Based on the evidence obtained we did not identify any indications that the assessments of the carrying amount made by management were inappropriate.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Group financial statements		Parent Association financial statements	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Materiality	1,450	4,500	192	185
Basis for determining materiality	6.75% of adjusted operating surplus	1.25% of Total Assets	1.35% of income	1.25% of income
Performance materiality	1,015	3,150	134	130
Basis for determining performance materiality	70%	65%	70%	65%

Rationale for the benchmark applied

For the current year we have used 6.75% of adjusted operating surplus as the basis of materiality. The adjustments to operating surplus are to add back depreciation, amortisation, finance costs on defined benefit pension and any Gift Aid received and to deduct capitalised repairs and fair value adjustments of investment properties which is in line with the strictest loan covenant definition. We have used this benchmark as we considered this the area of financial statements with the greatest interest to the principle users and the area with the greatest impact on investor and lender decisions. In the prior year we used 1.6% of total assets as we considered this to be the area of financial statements with the greatest interest to the principle users.

Specific materiality

In the prior year we also determined that for all items comprising adjusted operating profit (including related disclosures), a misstatement of less than materiality for the financial statements as a whole, specific materiality, could influence the economic decisions of users. As a result, we determined materiality for these items based on 6.25% of adjusted operating profit. We further applied a performance materiality level of 70% of specific materiality to ensure that the risk of errors exceeding specific materiality was appropriately mitigated

Component materiality

We set materiality for each component of the Group based on a percentage of between 1% and 95% of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from £19,000 to £1,370,000. In the audit of each component, we further applied performance materiality levels of 70% of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold

We agreed with the audit committee that we would report to them all individual audit differences in excess of £29,000 (2020: £90,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The board are responsible for the other information. The other information comprises the information included in the strategic report and report of the board, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information including the strategic report and report of the board and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information we are required to report that fact.

We have nothing to report in this regard.

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the *Companies Act 2006* and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and directors' report	In our opinion, based on the work undertaken in the course of the audit: • *the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and* • *the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.* In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.
Matters on which we are required to report by exception	We have nothing to report in respect of the following matters in relation to which the *Companies Act 2006* requires us to report to you if, in our opinion: • *adequate accounting records have not been kept by the Association, or returns adequate for our audit have not been received from branches not visited by us; or* • *the Association 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.*

Responsibilities of the Board

As explained more fully in the board members responsibilities statement set out on page 42, the board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the board members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

Based on our understanding of the Group and Association and the industry in which it operates, we identified that the principal laws and regulations that directly affect the financial statements to be the *Companies Act 2006*, the H*ousing and Regeneration Act 2008* and the Accounting Direction for Private Registered Providers of Social Housing 2019. We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

In addition the Group and Association are subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: employment law, data protection and health and safety legislation. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence if any.

In our assessment the areas of the financial statements most susceptible to material misstatement (either from fraud or error) are the carrying amount of properties developed for resale, the calculation of any required impairments to assets and risk of management override of controls. This is because these areas require a high degree of management judgment, accounting estimation or potential override of controls. The responsible individual specifically reviewed the individuals allocated to work on these sections to ensure that they have the requisite competence to perform this work and to ensure they would identify any applicable non-compliance with laws and regulations.

We focused on laws and regulations that could give rise to a material misstatement in the financial statements. Our tests included, but were not limited to:

- agreement of financial statements disclosures to underlying supporting documentation.
- enquiries of management including consideration of known or suspected instances of non-compliance with laws and regulations and fraud.
- review of minutes of directors' board meetings throughout the year, and
- obtaining an understanding of the control environment in monitoring compliance with laws and regulations.

Audit response to risks identified:

- We reviewed the financial statement disclosures and tested to supporting documentation to assess compliance with relevant laws and regulations discussed above.
- We made enquiries of the Audit and Risk Committee, management and reviewed internal audit findings reports.
- We reviewed the Fraud log submitted to the Audit and Risk Committee which includes known attempted frauds, actual instances of fraud and non-compliance with laws and regulations and we read minutes of meetings of those charged with governance.
- In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; considered completeness of related party transactions; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

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

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

Use of our report

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

DocuSigned by:
Kyla Bellingall
A11A16013DD84AC...

Kyla Bellingham (Senior Statutory Aditor)
For and on behalf of BDO LLP, statutory auditor
Birmingham

Date: 3rd September 2021

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

Consolidated statement of comprehensive income

	Note	2021 £'000's	2020 £'000's
Turnover: continuing activities:	4	62,254	57,824
Operating costs	4	(43,304)	(40,381)
Revaluation of investment properties	15	1,035	662
Surplus on sale of housing properties	6	859	2,915
Operating surplus	5	**20,844**	**21,020**
Interest receivable and other income	8	656	180
Interest payable and similar charges	9	(10,355)	(9,016)
Other finance costs	10	(183	(397)
Surplus before taxation		**10,962**	**11,787**
Taxation	12	(104)	(38)
Surplus for the year		**10,858**	**11,749**
Actuarial (loss)/gain relating to the pension scheme	10	(7,410)	8,648
Total comprehensive income for the year		**3,448**	**20,397**

The notes on pages 59 to 99 form part of these financial statements

Company statement of comprehensive income

	Note	2021 £'000's	2020 £'000's
Turnover: continuing activities:	4	**14,206**	**12,447**
Operating costs	4	(14,075)	(12,318)
Operating surplus: continuing activities	5	**131**	**129**
Interest receivable and other income	8	1	4
Interest payable and similar charges	9	(18)	(8)
Surplus on ordinary activities before taxation		**114**	**125**
Tax on surplus on ordinary activities	12	(21)	(23)
Surplus for the financial year		**93**	**102**

The notes on pages 59 to 99 form part of these financial statements

Consolidated and company statement of changes in reserves

For the year ended 31 March 2021

	Group 2021 £'000's	Group 2020 £'000's	Company 2021 £'000's	Company 2020 £'000's
Balance as at 31 March	47,643	27,246	(142)	(244)
Surplus for the year	10,858	11,749	93	102
Other comprehensive income for the year	(7,410)	8,648	-	-
Balance as at 31 March	**51,091**	**47,643**	**(49)**	**(142)**

The notes on pages 59 to 99 form part of these financial statements

Consolidated statement of financial position

As at 31 March 2021

	Note	2021 £'000's	2020 £'000's
Tangible fixed assets			
Housing properties	13	271,890	253,583
Other tangible fixed assets	14	4,170	1,026
Investment properties	15	38,131	35,998
Investment in associate	16	151	151
Investment		10	10
		314,352	**290,768**
Current assets			
Stock	17	150	139
Properties held for sale	18	7,108	11,901
Debtors	19	2,573	4,432
Short term investment		18,000	-
Cash and cash equivalents		58,298	54,396
		86,129	**70,868**
Creditors: amounts falling due within one year	20	(15,928)	(17,610)
Net current assets		70,201	53,258
Total assets less current liabilities		**384,553**	**344,025**
Creditors: amounts falling due after more than one year	21	(317,708)	(287,960)
Net pension liability	10	(15,754)	(8,422)
Total net assets		**51,091**	**47,643**
Capital and reserves			
Revenue reserve		51,091	47,643
Total reserves		**51,091**	**47,643**

The notes on pages 59 to 99 form part of these financial statements. These financial statements were approved and authorised for issue by the Board on 27 July 2021 and signed on its behalf by:

Mike Stevenson
(Chair)

Ray Harding
(Board member)

Company statement of financial position

As at 31 March 2021

	Note	2021 £'000's	2020 £'000's
Tangible fixed assets			
Other tangible fixed assets	14	983	542
Investment in associates	16	151	151
Investment		60	60
		1,194	**753**
Current assets			
Debtors	19	849	1,036
Cash at bank and in hand		619	1,759
		1,468	**2,795**
Creditors: amounts falling due within one year	20	(2,711)	(3,690)
Net current assets		(1,243)	(895)
Total assets less current liabilities		**(49)**	**(142)**
Capital and reserves (non-equity)			
Revenue reserve		(49)	(142)
Total reserves		**(49)**	**(142)**

The notes on pages 59 to 99 form part of these financial statements. These financial statements were approved and authorised for issue by the Board on 27 July 2021 and signed on its behalf by:

Mike Stevenson
(Chair)

Ray Harding
(Board member)

Consolidated statement of cash flows

For the year ended 31 March 2021

	Note	2021 £'000's	2020 £'000's
Net cash generated from operating activities	27	**27,733**	**17,283**
Cash flow from investing activities			
Purchase of tangible fixed assets		(29,740)	(32,907)
Proceeds from sale of tangible fixed assets		1,619	4,972
Short Term investment		(18,000)	-
Grants received		4,855	5,085
Interest received		655	180
		(40,611)	**(22,670)**
Cash flow from financing activity			
Interest paid		(10,464)	(8,933)
New loans		65,768	36,926
Loan arrangement fees		-	-
Repayment of borrowings		(38,524)	(46)
		16,780	**27,947**
Increase in cash		**3,902**	**22,560**
Cash and cash equivalents at beginning of the year		54,396	31,836
Cash and cash equivalents at end of the year		**58,298**	**54,396**

The notes on pages 59 to 99 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. The registered office is Asher House, Asher Lane Business Park, Ripley, Derbyshire, DE5 3SW.

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 2018*, and comply with the *Accounting Direction for Private Registered Providers of Social Housing 2019*.

Going concern

The financial statements have been prepared on a going concern basis.

The impact of the Covid-19 outbreak led to the 2020-21 budget and business plans being restated to take account of more up to date assumptions for voids, bad debts, potential increased costs directly related to Covid-19, updated CPI/RPI forecasts and updated development and other capital spend programmes, taking account of the three month pause and the knock on effects this will have in slowing overall programme spend. The Board has approved this new budget and business plan and is satisfied that it has taken account of the trend analysis information collated in the first quarter year, indicating the effects of Covid-19, and suitable reshaped future forecasts.

In addition to restating the budgets and business plans the Board has reviewed a number of key areas to determine that the Group is a going concern, as set out below:

- Three year financial forecasts have been prepared at subsidiary level and at Group level, capturing all operating and capital cashflows of each entity and associated funding cashflows. These cashflows eliminate the 'high risk' cashflows such as grant income and sales income and each of these demonstrate to the Board that cash remains positive over forthcoming period up to March 2023, without the need to secure any further funding than what is already in place and secured.
- Stress testing has been carried out and reviewed by the Board on the restated business plans. The Board is satisfied that the stress testing, which includes single variant stress testing, multi-variant stress testing and determination of single variant tolerance levels, demonstrates sufficient financial strength to conclude the Group and its subsidiaries are going concerns. In reaching this decision, the Board has noted that the new business plans still meet the Group's key rules for effective financial management, are not reliant on sales income to meet loan covenants and can tolerate sufficient increases in voids/bad debts/CPI/RPI without creating a covenant breach or needing to secure extra funding over the period under review, ending March 2023. The Board has also reviewed worse case scenarios that would lead to a covenant breach as a result of Covid-19 impacts and is comfortable that the stress testing mitigation plan contains sufficient mitigation strategies to minimise the impact of the worst case on the Group and its subsidiaries.

- The stress testing resilience plan has also been considered by the Board in reaching its going concern conclusions. The plan sets out the point at which the Board would intervene to instigate corrective action that would steer the Group towards compliance with its key rules for financial management. The plan demonstrates the mitigation methods that would provide £47m immediate cash savings through a reduction of uncommitted spend and cancelling or pausing other capital projects.
- The forecast cash and covenant positions for the Group and its subsidiaries have been considered by the Board in forming its going concern conclusions. The cash positions are considered to be both the forecast cash at bank positions plus the unutilised secured and in place loan facilities.

The covenant positions for the Group have been considered and there are no covenant non-compliance forecast in the restated business plans over the period up to March 2023 and beyond. In addition, cash break-even point assessments have been reviewed by the Board, at subsidiary level, to obtain comfort that the cash positive cashflows have sufficient robustness within them. This review has highlighted that each subsidiary has a highly robust cash break even position that allows all operating costs to increase by more than 100% before cash turns negative.

The pandemic has created an environment of uncertainty and therefore the Board has focused on ensuring that the Group can continue to be financially strong over the coming years. The Board's first response to the pandemic was to immediately pause all major expenditure (development and capital projects) to allow time for financial planning and re-forecasting. The second key response was to accelerate selling the £50m retained bond, secured in June 2020, to enhance the Group's access to immediately available cash reserves should they require it. This, coupled with utilised RCFs of £38m, provided the Board with adequate comfort that the Group could continue as a going concern for the foreseeable future without having to amend its original expenditure plans, such as building new homes. The pause on major expenditure has subsequently been lifted.

For the reasons mentioned above, the Board considers that the Group, and its subsidiaries are a going concern. While uncertainty exists, this does not pose a material uncertainty that would cast doubt on the Group's ability to continue as a going concern for the foreseeable future, being a period of at least 12 months from the date of signing these accounts and audit report.

Basis of consolidation

The Group accounts consolidate the accounts of the company and all of its subsidiaries at 31 March 2021 in accordance with the principles of accounting as set out in FRS 102.

The Company has adopted the following disclosure exemptions available under FRS102

- The requirement to present a statement of cashflows and related notes.

Public benefit entity

Futures Housing Group Limited is a public benefit entity in accordance with FRS102. The financial statements are presented in sterling (£).

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.
- other services, and
- revenue grants receivable.

All of the above income is included at the invoiced value (excluding VAT) of goods and services supplied 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 Group is exempt from Corporation Tax on income and gains to the extent that these are derived from the Group's charitable objectives.

The tax expense in the year relates to Group companies that are subject to UK taxation in addition to the non-exempt tax for the parent company.

The tax expense for the period comprises current and deferred tax. Tax is recognised in the comprehensive income statement, except for any changes attributable:

- to items of income or expense recognised as other comprehensive income.
- to an item recognised directly in equity, and
- directly in equity.

The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits:

- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.
- Where timing differences relate to interests in subsidiaries and the Group can control their reversal and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except:

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.

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. The remaining element is classed as a 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.

Following a review of the useful economic lives the estimated live of the structure has been revised from 50 years to 100 years. This is a change in the measurement basis and has therefore been applied prospectively from 1 April 2020. The change has been further disclosed in Note 13. The Group depreciates the major components of its housing properties over the following number of years:

	Life in years 2020-21	Life in years 2019-20
Structure	100	50
Roof	50	50
Fascia	30	30
Soffit	30	30
Windows	30	30
Kitchen	20	20
Bathroom	30	30
Doors	30	30
Biomass system	20	20
Heating distribution system	25	25
Boiler	12	12

Government grants

Government grants include grants receivable from the RSH, local authorities, and other government organisations. Government grants received for housing properties are initially credited to the deferred grant account within long term creditors on the statement of financial position. They are then amortised 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 the 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 RSH. 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 has been allocated to the component is released to the 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 triggers. Where triggers 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 the statement of comprehensive income. 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.

Other tangible fixed assets

Assets are held at historic cost less accumulated depreciation. 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 shown in the table below.

	Life in years
Computers and office equipment	3
Tools and equipment	3
Motor vehicles	3
Furniture, fixtures and fittings	5
Lifeline equipment	5
Depot	50
Office buildings	100

Leased assets

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

Investment properties

Investment properties consist of properties not held for social benefit or for use in the business. Investment properties are measured at cost on initial recognition and subsequently at fair value at the year-end date, with changes in fair value recognised in the statement of comprehensive income. Fair value is determined annually by appropriately qualified external valuers and is derived from current market rents and investment property yields for comparable properties, adjusted if necessary, for any difference in the nature, location or condition of the specific asset. No depreciation is provided on investment properties.

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.

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.

Financial assets

Financial assets comprise cash at bank and in hand, trade and other debtors and amounts owed by group undertakings; these are initially recorded at cost on the date they originate and are subsequently recorded at amortised cost under the effective interest method. The Company considers evidence of impairment for all individual trade and other debtors and amounts owed by group undertakings, and any subsequent impairment is recognised in the statement of comprehensive income.

Impairment of financial assets carried at amortised cost

Impairment provisions are recognised when there is objective evidence that a financial asset or group of financial assets are impaired. Objective evidence includes significant financial difficulties of the counterparty, default or significant delays in payment.

Impairment provisions represent the difference between the net carrying amount of a financial asset and the present value of the expected future cash receipts from that asset.

Financial liabilities

Financial liabilities comprise trade creditors, accruals and amounts due to group undertakings; these are initially recorded at cost on the date they originate, and are subsequently carried at amortised cost under the effective interest method.

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 at amortised cost.

Bad debt provision on rental income is calculated according to the following policy:

Customer balance (current arrears)	Provision policy
Below £250	0%
£251 to £500	10%
£501 to £1,000	25%
£1,001 to £1,500	50%
Over £1,500	75%
Former customer arrears	100%

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.

Liquid resources: cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short term, highly liquid investments that are readily convertible into known amounts of cash and are subject to an insignificant risk of changes in value.

Short term investments

Short term investments comprise of cash held in deposit accounts with notice periods ranging from three to six months and are subject to an insignificant risk of changes in value.

Segment reporting

Reporting of revenue and profit by segment is a requirement of FRS102 and SORP 2018. Management has determined that the Group's segments are *Housing Management and Property Sales*. The segment information is however disclosed in note 4 and therefore no additional segment reporting has been prepared.

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:

1 Impairment

As part of the Group's continuous review of the performance of their assets, management identify any homes or schemes, that have increasing void losses, are affected by policy changes or where the decision has been made to dispose of the properties. These factors are considered to be an indication of impairment.

Where there is evidence of impairment, the fixed assets are written down and any impairment losses are charged to operating surpluses.

The estimated depreciated replacement cost ('DRC'), calculated using appropriate construction costs and land prices is compared to the carry value of the asset and where the DRC is lower than the carrying cost an impairment charge is made against the social housing properties.

Given the economic impact of Covid-19, a review has been carried out for the value held on the statement of financial position of unsold homes and works in progress. As of 31 March 2021, there was a total of nine unsold homes. Of these, only one property exceeded six months old at the year-end. In addition, there is a sufficient margin between the historic build cost recorded in properties held for sale and the final sales value to provide certainty over their historic costs valuation as a minimum and therefore we consider no impairment to be required.

2 Capitalisation of property development costs

The Group capitalises development expenditure when a scheme is likely to proceed including having adequate budgetary provision. After capitalisation management monitors the asset and considers whether changes indicate that impairment is required.

3 Cost apportionment of development schemes

Management's estimate of the apportioned cost of individual properties for all tenures is done on a square metre basis.

4 Recoverable amounts on property held for sale

The forecast sale percentage is considered for the stock held for sale and the cost allocated accordingly. A review of the expected sales price, taking into account costs to completion in respect of assets under construction, is also performed and impairment considered. A number of properties held at the year-end have since been sold at expected selling prices which further supports the view that there is no indication of impairment.

5 Staff seconded to the Group

Management believe that a constructive obligation exists in the Group for pension costs for staff seconded from FHL and FHW, who are in the local government pension schemes. As such the cost of pension contributions relating to those staff in-year are included in the company statement of comprehensive income. As FHL and FHW remain responsible for their pension obligations the related schemes assets and liabilities are only included in the consolidated statement of financial position, the details disclosed in the notes to the accounts.

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.

1 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. This has resulted in a change to the estimated useful live of the structural element of the housing properties from 50 years to 100 years. The full impact of this change is outline in note 13 – tangible fixed 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.

2 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).

3 Investment property valuation

Management's estimate of the valuation of the investment property is based on an independent valuation by Rupert David & Co Chartered Surveyors. The valuation report received for the year included a 'material valuation uncertainty' clause which means that at 31 March 2021, there is less certainty and therefore a higher degree of caution should be attached to the valuation. Management conclude this does not create any material uncertainty to the financial statements as a whole.

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

Group: continuing activities For the year ended 31 March 2021	Turnover 2021 £'000	Cost of sales 2021 £'000	Operating costs 2021 £'000	Operating surplus 2021 £'000
Social housing lettings (see note 4b)	48,119	-	(30,452)	17,667
Other social housing activities				
Management and agency services	117	-	(8)	109
First tranche shared ownership sales	6,381	(4,907)	(1,099)	375
	6,498	**(4,907)**	**(1,107)**	**484**
Non-social housing activities				
Charges for support services	537	-	(803)	(266)
Properties developed for outright sale	5,209	(4,296)	-	913
Other	1,891	-	(1,739)	152
	7,637	(4,296)	(2,542)	799
Total social housing	**62,254**	**(9,203)**	**(34,101)**	**18,950**
Revaluation of investment properties				1,035
Surplus on sale of housing properties				859
				20,844

Company	Turnover 2021 £'000	Cost of sales 2021 £'000	Operating costs 2021 £'000	Operating surplus 2021 £'000
Other social housing activities				
Management services	**14,206**	**0**	**(14,075)**	**131**

Group: continuing activities For the year ended 31 March 2020	Turnover 2020 £'000	Cost of sales 2020 £'000	Operating costs 2020 £'000	Operating surplus 2020 £'000
Social housing lettings (see note 4b)	47,114	-	(32,162)	14,952
Other social housing activities				
Management and agency services	331	-	(37)	294
First tranche shared ownership sales	2,409	(1,533)	(286)	590
	2,740	**(1,533)**	**(323)**	**884**
Non-social housing activities				
Charges for support services	575	-	(513)	62
Sale of properties for outright sale	5,781	(5,126)	-	655
Other	1,614	-	(724)	890
	7,970	(5,126)	(1,237)	1,607
Total social housing	**57,824**	**(6,659)**	**(33,722)**	**17,443**
Revaluation of investment properties				662
Surplus on sale of housing properties				2,915
				21,020

Company	Turnover 2020 £'000	Cost of sales 2020 £'000	Operating costs 2020 £'000	Operating surplus 2020 £'000
Other social housing activities				
Management services	**12,447**	**0**	**(12,318)**	**129**

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

Group: continuing activities For the year ended 31 March 2021	General housing 2021 £'000	Sheltered housing 2021 £'000	Shared ownership 2021 £'000	Total 2021 £'000
Turnover from social housing lettings				
Rent receivable net of identifiable service charges	29,619	14,480	1,159	45,258
Service income	1,293	641	5	1,939
Amortisation of government grants	919	-	3	922
Turnover from social housing lettings	**31,831**	**15,121**	**1,167**	**48,119**
Expenditure on social housing lettings				
Management	(6,488)	(3,163)	(457)	(10,108)
Services	(1,045)	(1,173)	-	(2,218)
Routine maintenance	(3,724)	(1,802)	-	(5,526)
Planned maintenance	(2,645)	(1,371)	-	(4,016)
Major repairs expenditure	(863)	(364)	(1)	(1,228)
Bad debts	(377)	(203)	-	(580)
Depreciation of housing properties	(3,841)	(1,867)	(254)	(5,962)
Depreciation of other fixed assets	(98)	(52)	-	(150)
Other	(443)	(220)	-	(663)
Total expenditure on social housing lettings	**(19,525)**	**(10,215)**	**(712)**	**(30,452)**
Operating surplus on social housing lettings	**12,306**	**4,906**	**455**	**17,667**
Void losses	**(553)**	**(89)**	**(179)**	**(821)**

Group: continuing activities For the year ended 31 March 2020	General housing 2021 £'000	Sheltered housing 2021 £'000	Shared ownership 2021 £'000	Total 2021 £'000
Turnover from social housing lettings				
Rent receivable net of identifiable service charges	28,777	14,635	1,021	44,433
Service income	1,258	645	5	1,908
Amortisation of government grants	770	-	3	773
Turnover from social housing lettings	**30,805**	**15,280**	**1,029**	**47,114**
Expenditure on social housing lettings				
Management	(7,033)	(3,598)	(435)	(11,066)
Services	(582)	(1,774)	-	(2,356)
Routine maintenance	(3,036)	(1,553)	-	(4,589)
Planned maintenance	(2,787)	(1,515)	-	(4,302)
Major repairs expenditure	(741)	(332)	(1)	(1,074)
Bad debts	(311)	(168)	-	(479)
Depreciation of housing properties	(4,627)	(2,329)	(271)	(7,227)
Depreciation of other fixed assets	(70)	(37)	-	(107)
Other	(638)	(324)	-	(962)
Total expenditure on social housing lettings	**(19,825)**	**(11,630)**	**(707)**	**(32,162)**
Operating surplus on social housing lettings	**10,980**	**3,650**	**322**	**14,952**
Void losses	**(418)**	**(82)**	**(118)**	**(618)**

5. Operating surplus

This is arrived at after charging	Group 2021 £'000	Company 2021 £'000	Group 2020 £'000	Company 2020 £'000
Depreciation of housing properties	5,962	-	7,048	-
Impairment of housing properties	-	-	179	-
Depreciation of other tangible fixed assets	846	653	648	494
Operating lease rentals				
Buildings	333	333	349	349
Equipment	-	-	4	-
Auditors' remuneration (excluding irrecoverable VAT)				
Audit of Group Financial Statements	104	81	92	69
For non audit services	3	3	3	3

6. Surplus on sale of fixed assets: housing properties

	Group 2021 £'000	Company 2021 £'000	Group 2020 £'000	Company 2020 £'000
Disposal proceeds	1,548	-	4,473	-
Carrying value of fixed assets	(689)	-	(1,558)	-
	859	-	2,915	-

7. Accommodation in management
For the year ended 31 March

	Social	Affordable	Shared ownership	Supported sheltered	Market rent	Rent to Buy	Total owned
Opening stock	5,689	481	363	3,195	255	40	**10,023**
Additions	6	43	53	-	9	27	**138**
Reclassification	(23)	88	1	(66)	-	2	**2**
Disposals	(26)	(1)	(5)	(3)	(1)	-	**(36)**
Closing stock	**5,646**	**611**	**412**	**3,126**	**263**	**69**	**10,127**

	Private landlord	Managed not owned	Total owned and managed
Opening stock	45	186	**10,254**
Additions	-	3	**141**
Reclassification	(2)	-	**-**
Disposals	(19)	(25)	**(80)**
Closing stock	**24**	**164**	**10,315**

8. Interest receivable and other income

	Group 2021 £'000	Company 2021 £'000	Group 2020 £'000	Company 2020 £'000
Interest receivable	656	1	180	4

9. Interest and financing costs: Group

	Group 2021 £'000	Company 2021 £'000	Group 2020 £'000	Company 2020 £'000
Loans and bank overdraft	10,355	18	9,016	8

10. Employees

Average monthly number of employees expressed in full time equivalents (calculated based on a standard working week of 37 hrs)	Group 2021	Company 2021	Group 2020	Company 2020
FTEs	349	201	325	189

Employee costs	Group 2021 £'000	Company 2021 £'000	Group 2020 £'000	Company 2020 £'000
Wages and salaries	11,337	6,769	10,176	6,203
Social security costs	1,076	667	943	598
Pension costs	1,601	1,259	1,806	972
	14,014	**8,695**	**12,925**	**7,773**

All employees of Futures Homescape Limited are members of Derbyshire County Council Pension Fund (DCCPF) and employees of Futures Homeway Limited 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. 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.

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 31 March 2019. The market value of the scheme's assets at that date was £35.6 million and the level of funding was 71%. The main actuarial assumptions used in the valuation were:

	%p.a.
Investment return	1.5%
Salary increases	3.0%
Pension increases/CARE revaluation	2.3%

Contributions

The Company paid contributions at the rate of 33.4% during the year. The cost to the company, of contributions to the scheme in the period, amounted to £1,064,000 (2020: £777,000). Members' contributions vary between 5.5% and 11.4% of pensionable pay until 31 March 2021, depending on the circumstances of the employee. Employers' contributions to the DCCPF during the accounting period commencing 1 April 2021 are at a rate of 33.4% and are estimated to be £1,080,000.

Major categories of plan assets as a total of plan assets

	2021 %	2020 %
Equities	67	57
Bonds	20	26
Property	8	9
Cash	5	8

Assumptions

The main financial assumptions used by the actuary were as follows	2021 %	2020 %
Rate of increase in salaries	3.55	2.60
Rate of increase in pensions	2.85	1.90
Discounted rate	2.00	2.30

Mortality assumptions

The post retirement mortality assumptions were based on the Fund's VitaCurves with improvements in-line with the CMI 2020 model and these are used to value the benefit obligation at 31 March as determined by the actuary, for non-pensioners and pensioners.

	2021 number of years	2020 number of years
Current pensioners:		
Males	21.3	21.6
Females	23.9	23.7
Future pensioners:		
Males	22.5	22.6
Females	25.8	25.1

Amounts recognised in the statement of financial position

	2021 £'000	2020 £'000
Present value of funded obligations	(54,349)	(40,218)
Fair value of plan assets	41,838	33,813
	(12,511)	**(6,405)**
Present value of unfunded obligations	-	(11)
Net liability	**(12,511)**	**(6,416)**

Amounts recognised in other comprehensive income

	2021 £'000	2020 £'000
Actuarial (loss)/gain in other comprehensive income	(6,041)	6,752

Analysis of the amount charged to operating surplus

	2021 £'000	2020 £'000
Current service cost	979	1239
Past service losses	-	-
Total operating charge	**979**	**1,239**

Amounts recognised in the statement of financial position

	2021 £'000	2020 £'000
Expected return on pension scheme assets	792	909
Interest on pension scheme liabilities	(931)	(1,213)
Net interest charge	**(139)**	**(304)**

Movement in deficit during the year

	2021 £'000	2020 £'000
Company share of net liabilities at start of period	(6,416)	(12,402)
Movement in year:		
Current service cost	(979)	(1,239)
Past service cost	-	-
Employer contributions	1,064	777
Other finance costs	(139)	(304)
Actuarial (loss)/gain	(6,041)	6,752
Company share of net scheme liabilities at end of year	**(12,511)**	**(6,416)**

Changes in present value of define benefit obligation

	2021 £'000	2020 £'000
Opening defined benefit obligation (including unfunded obligations)	(40,229)	(50,067)
Current service cost	(979)	(1,239)
Past service cost	-	-
Interest cost	(931)	(1,213)
Contributions by members	(214)	(207)
Actuarial (loss)/gain	(12,721)	11,774
Past service gain	-	-
Benefits paid	725	723
Closing defined benefit obligation (including unfunded obligations)	**(54,349)**	**(40,229)**

Changes in fair value of plan assets

	2021 £'000	2020 £'000
Opening fair value of plan assets	33,813	37,665
Expected return on assets	792	909
Contributions by members	214	207
Contributions by employer	1,063	777
Actuarial gains	6,681	(5,022)
Benefits paid	(725)	(723)
Fair value of assets at end of year	**41,838**	**33,813**

13 (2020: 13) of the Company's employees are members of the Northamptonshire County Council Pension Fund (NCCPF), the fund has 39 deferred members and 39 pensioners claiming. This scheme was closed to new entrants from 1 July 2011, from this date the Company also participated in a scheme administered by Scottish Widows, this is a defined contribution scheme.

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 31 March 2019. The market value of the scheme's assets at that date was £7.3 million and the level of funding was 60%. The main actuarial assumptions used in the valuation were:

	%p.a.
Investment return	1.5%
Salary increases	2.8%
Benefit increases and CARE revaluation (CPI)	2.5%

Contributions

The Company paid contributions at the rate of 35% during the year. The cost to the company, of contributions to the scheme in the period, amounted to £320,000 (2020: £250,000). Members' contributions vary between 5.5% and 11.4% of pensionable pay until 31 March 2021, depending on the circumstances of the employee. Employers' contributions to the NCCPF during the accounting period commencing 1 April 2021 are at a rate of 35% and are estimated to be £325,000.

Major categories of plan assets as a total of plan assets

	2021 %	2020 %
Equities	66%	65%
Bonds	19%	19%
Property	13%	14%
Cash	2%	2%

Assumptions

The main financial assumptions used by the actuary were as follows	2021 %	2020 %
Rate of increase in salaries	3.30	2.30
Rate of increase in pensions	2.80	1.80
Discounted rate	2.05	2.30

Mortality assumptions

The post retirement mortality assumptions used to value the benefit obligation at 31 March are:

	2021 number of years	2020 number of years
Current pensioners:		
Males	21.7	21.5
Females	24.1	23.7
Future pensioners:		
Males	22.8	22.3
Females	25.8	25.1

Amounts recognised in the statement of financial position

	2021 £'000	2020 £'000
Present value of funded obligations	(12,461)	(9,114)
Fair value of plan assets	9,218	7,108
	(3,243)	**(2,006)**
Present value of unfunded obligations	-	-
Net liability	(3,243)	(2,006)

Amounts recognised in other comprehensive income

	2021 £'000	2020 £'000
Actuarial (loss)/gain in other comprehensive income	(1,369)	1,896

Analysis of the amount charged to operating surplus

	2021 £'000	2020 £'000
Current service cost/total operating charge	144	190

Analysis of the amount charged to other finance costs

	2021 £'000	2020 £'000
Expected return on pension scheme assets	165	188
Interest on pension scheme liabilities	(209)	(281)
Net finance cost	**(44)**	**(93)**

Movement in deficit during the year

	2021 £'000	2020 £'000
Company share of net liabilities at start of period	(2,006)	(3,869)
Movement in year:		
Current service cost	(144)	(190)
Employer contributions	320	250
Other finance costs	(44)	(93)
Actuarial (loss)/gain	(1,369)	1,896
Company share of net scheme liabilities at end of year	**(3,243)**	**(2,006)**

Changes in present value of defined benefit obligation

	2021 £'000	2020 £'000
Opening defined benefit obligation (including unfunded obligations)	(9,114)	(11,652)
Current service cost	(144)	(190)
Past service cost	-	-
Interest cost	(209)	(281)
Contributions by members	(28)	(26)
Actuarial (loss)/gain	(3,136)	2,861
Past service gain	-	-
Benefits paid	170	174
Closing defined benefit obligation (including unfunded obligations)	**(12,461)**	**(9,114)**

Changes in fair value of plan assets

	2021 £'000	2020 £'000
Opening fair value of plan assets	7,108	7,783
Expected return on assets	165	188
Actuarial gain/(loss)	1,767	(965)
Contributions by employer	320	250
Contributions by members	28	26
Benefits paid	(170)	(174)
Fair value of assets at end of year	**9,218**	**7,108**

81 (2020: 81) of the Company's employees are members of the local government pension scheme (LGPS), the fund has 96 deferred members and 98 pensioners claiming. This scheme was closed to new entrants from 1 July 2011, from this date the Company also participated in a scheme administered by Scottish Widows, this is a defined contribution scheme.

Impact of McCloud case

When the Local Government Pension Scheme benefit structure was reformed in 2014, transitional protections were applied to certain older members close to normal retirement age. The benefits accrued from 1 April 2014 by these members are subject to an 'underpin' which means that they cannot be lower than what they would have received under the previous benefit structure. The underpin ensures that these members do not lose out from the introduction of the new scheme, by effectively giving them the better of the benefits from the old and new schemes.

In December 2018 the Court of Appeal upheld a ruling (McCloud/Sargeant) that similar transitional protections in the Judges' and Firefighters' Pension Schemes were unlawful on the grounds of age discrimination. The implications of the ruling are expected to apply to the LGPS (and other public service schemes) as well. The UK Government requested leave to appeal to the Supreme Court but this was denied at the end of June 2019. LGPS benefits accrued from 2014 may therefore need to be enhanced so that all members, regardless of age, will benefit from the underpin. There will therefore be a retrospective increase to members' benefits, which in turn will give rise to a past service cost for the fund employers.

Quantifying the impact of the judgement at this stage is very difficult because it will depend on the compensation awarded, members' future salary increases, length of service and retirement age, and whether (and when) members withdraw from active service. Salary increases in particular can vary significantly from year to year and from member to member depending on factors such as budget restraint, job performance and career progression. The Government Actuary's Department (GAD) has estimated that the impact for the LGPS as a whole could be to increase active member liabilities by 3.2%, based on a given set of actuarial assumptions. A full description of the data, methodology and assumptions underlying these estimates is given in GAD's paper, dated 10 June 2019. In May 2021 the Government has announced it will introduce a bill aiming to ensure equal treatment of public service pension members following the landmark ruling. It is proposed that members of the scheme who were active on 31 March 2012 and who have accrued benefits under the 2014 scheme would see pensions accrued for the period 1 April 2014 to 31 March 2022 being the best of the old and new regulations.

The impact on employers' funding arrangements will likely be dampened by the funding arrangements they have in place. However, there will be unavoidable upward pressure on contributions in future years.

11. Board members, executive directors and key management personnel

The Group Executive Directors are considered to be the key management personnel of the group and company.

	Group 2021 £'000	Company 2021 £'000	Group 2020 £'000	Company 2020 £'000
Basic salary	566	566	559	559
Benefits in kind	56	56	50	50
Employers NIC	80	80	79	79
Pension & pension equivalent contributions	128	128	109	109
	830	**830**	**797**	**797**

The emoluments of the highest paid executive director (the Group Chief Executive), excluding pension and pension equivalent contributions, were £200,415 (2020: £190,414).

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

The 2020 number has been restated as car allowances were included within 'basic salary' rather than 'benefits in kind' last year.

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

	2021 £'000	2020 £'000
£60,000 to £70,000	6	7
£70,001 to £80,000	5	1
£80,001 to £90,000	4	6
£90,001 to £100,000	6	1
£100,001 to £110,000	-	1
£110,001 to £120,000	-	-
£120,001 to £130,000	1	-
£130,001 to £140,000	-	-
£140,001 to £150,000	-	-
£150,001 to £160,000	1	2

	2021 £'000	2020 £'000
£160,001 to £170,000	-	-
£170,001 to £180,000	-	1
£180,001 to £190,000	-	-
£190,000 to £200,000	-	-
£200,001 to £210,000	1	-
£220,001 to £230,000	-	-
£230,001 to £240,000	-	1
£240,001 to £250,000	-	-
£250,001 to £260,000	-	-
£260,001 to £270,000	1	-
	25	**20**

Board members' emoluments	Group 2021 £'000	Company 2021 £'000	Group 2020 £'000	Company 2020 £'000
R Auger	-	-	2	2
S Bagshaw	3	3	3	3
J Bemrose	2	2	-	-
D Brooks	8	8	10	10
E Brown	-	-	3	3
P Burke	5	5	-	-
D Cribbin	3	3	1	1
M Daunt	8	8	9	9
S Fitzhugh	-	-	1	1
S Hale	12	12	13	13
R Harding	12	12	12	12
D Hook	3	3	3	3
S Hyde	13	13	12	12
K Larkin	-	-	-	-
E Lock	3	3	3	3
C McMillan	10	10	10	10
P Naish	-	-	1	1
T Slater	8	8	8	8
C Smith	-	-	2	2
J Spalding	-	-	2	2
M Stevenson	20	20	20	20
T Taylor	4	4	7	7
P Tooley	-	-	4	4
S Veal	3	3	-	-
R Ward	-	-	4	4
K Wooding	3	3	2	2
	120	**120**	**132**	**132**

12. Tax on deficit on ordinary activities

Group and company	Group 2021 £'000	Company 2021 £'000	Group 2020 £'000	Company 2020 £'000
Current tax				
UK Corporation Tax on surplus for the year	44	-	-	-
Adjustments in respect of prior period	39	-	(4)	(6)
Current tax	**83**	**-**	**(4)**	**(6)**
Deferred tax				
Net origination and reversal of timing differences	21	21	40	25
Adjustments in respect of prior period	-	-	8	8
Effect of rate change on opening balance	-	-	(6)	(4)
Total tax charge	**104**	**21**	**38**	**23**

Tax reconciliation	Group 2021 £'000	Company 2021 £'000	Group 2020 £'000	Company 2020 £'000
Surplus on ordinary activities before tax	9,071	111	511	125
Charitable activities				
Qualifying charitable donation	(130)	-	(80)	-
Surplus subject to Corporation Tax	**8,941**	**111**	**431**	**125**
Theoretical tax at UK Corporation Tax rate 19%	1,723	21	98	25
Income not taxable for tax purposes	(1,666)	-	-	-
Adjustment to tax charge in respect of previous periods	47	-	(58)	(6)
Adjustments in respect of prior periods - deferred tax	-	-	-	8
Adjust closing deferred tax to average rate of 19%	-	-	-	-
Adjust opening deferred tax to average rate of 19%	-	-	(2)	-
Remeasurement of deferred tax, changes in rate	-	-	-	(4)
Total tax charge	**104**	**21**	**38**	**23**

13. Tangible fixed assets: properties

Group	Completed housing properties: shared ownership £'000	Shared ownership properties under construction £'000	Social housing properties held for letting £'000	Social housing properties under construction £'000	Total £'000
Cost					
At 1 April 2020 as previously stated	27,896	10,933	255,372	16,826	**311,027**
Prior year adjustment (note 33)	-	(5,467)	-	-	**(5,467)**
1 April 2020 restated	27,896	5,466	255,372	16,826	**305,560**
Transfer between SO & GN	(121)	-	121	-	**-**
Transfer from investment properties	-	-	-	457	**457**
Additions	-	3,800	-	14,531	**18,330**
Capitalised improvements	-	-	6,195	-	**6,195**
Schemes completed	4,303	(4,303)	10,963	(10,963)	**-**
Disposals	(349)	-	(2,917)	-	**(3,266)**
At 31 March 2021	**31,729**	**4,963**	**269,735**	**20,851**	**327,277**
Depreciation and impairment					
At 1 April 2020	1,087	-	50,112	778	**51,977**
Transfer between SO & GN	(117)	-	117	-	**-**
Charged in year	232	-	5,730	-	**5,962**
Impairment	-	-	-	-	**-**
Released on disposal	(29)	-	(2,523)	-	**(2,552)**
At 31 March 2021	1,173	-	53,436	778	**55,387**
Net book value					
At 31 March 2021	30,556	4,963	216,298	20,073	**271,890**
At 31 March 2020	26,809	5,466	205,260	16,048	**253,583**

2019-20 values have been restated to reflect a movement between tangible fixed assets shared ownership properties under construction and shared ownership properties held for sale. Details can be found in note 33.

During the year a review of the useful economic lives was undertaken, following this review the estimated life of the structural element has been increased from 50 years to 100 years. This is a change in the measurement basis and has therefore been made prospectively from 1 April 2020. The change has resulted in a lower depreciation charge this year of £5,962k compared to the previous basis which would have resulted in a depreciation charge of £8,460k.

Expenditure on works to existing properties: Group	2021 £'000	2020 £'000
Components capitalised	6,196	5,424
Amounts charged to statement of comprehensive income	1,228	1,074
	7,424	**6,498**

Social Housing Grant Group	2021 £'000	2020 £'000
Total accumulated grant	43,794	39,459
Recognised in comprehensive income	5,531	4,662
Held as deferred capital grant	38,263	34,797
	43,794	**39,459**

Housing properties book value, net of depreciation and grants, and depot net book value (notes 13&14) comprises.

Group	2021 £'000	2020 £'000
Freehold land and buildings	272,133	259,298

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') 102 section 27; Impairment of assets.

14. Other tangible fixed assets

Group	Freehold depot £'000	Tools and equipment £'000	Furniture, fixtures and fittings £'000	Lifeline equipment £'000	IT and office equipment £'000	Other land and buildings £'000	Vehicles £'000	Total £'000
Cost								
At 1 April 2020	379	479	956	1,065	4,705	66	1,510	**9,160**
Additions	-	43	137	108	1,122	2,580	-	**3,990**
Disposals	-	-	-	-	-	-	(18)	**(18)**
At 31 March 2021	379	522	1,093	1,173	5,827	2,646	1,492	**13,132**
Depreciation								
At 1 April 2020	130	390	879	1,025	4,234	-	1,476	**8,134**
Charged in year	7	63	51	33	641	19	32	**846**
Released on disposal	-	0	-	-	-	-	(18)	**(18)**
At 31 March 2021	137	453	930	1,058	4,875	19	1,490	**8,962**
Net book value								
At 31 March 2021	242	69	163	115	952	2,627	2	**4,170**
At 31 March 2020	249	89	77	40	471	66	34	**1,026**

Other tangible fixed assets

Company	IT and office equipment £'000	Furniture, fixtures and fittings £'000	Total £'000
Cost			
At 1 April 2020	3,458	113	3,571
Additions	1,089	5	1,094
Disposals	-	-	-
At 31 March 2021	**4,547**	**118**	**4,665**
Depreciation			
At 1 April 2020	2,987	42	3,029
Charged in year	630	23	653
Disposals	-	-	-
At 31 March 2021	**3,617**	**65**	**3,682**
Net book value			
At 31 March 2021	**930**	**53**	**983**
At 31 March 2020	**471**	**71**	**542**

15. Investment properties

	31 March 2021 Completed investment properties £'000	31 March 2021 Investment properties under construction £'000	31 March 2021 Total £'000
Cost			
At 1 April 2020	29,786	3,413	33,199
Additions	-	1,692	1,692
Schemes completed	1,243	(1,243)	-
Transfer to housing properties	-	(457)	(457)
Disposals	(138)	-	(138)
Cost at 31 March 2021	**30,891**	**3,405**	**34,296**
Revaluation/(impairment)			
At 1 April 2020	2,800	-	2,800
In year revaluation	1,035	-	1,035
Disposals	-	-	-
At 31 March 2021	**3,835**	**-**	**3,835**
Carrying value			
Cost at 31 March 2021	**34,726**	**3,405**	**38,131**
At 1 April 2020	**32,585**	**3,413**	**35,999**

Investment properties were valued as at 31 March 2021 at their open market value based on an independent valuation by Rupert David & Co Chartered Surveyors. The valuation was carried out in accordance with the RICS Valuation - Global Standards 2017 and the UK National Supplement (The Red Book). No allowance has been made for the liability of taxation that may arise on disposal as the activity is undertaken in a charitable entitiy and no alteration has been made to reflect the costs of selling. All valuation figures are exclusive of VAT.

The valuation report received for the year included a 'material valuation uncertainty' clause which means that at 31 March 2021, there is less certainty and therefore a higher degree of cauton should be attached to the valuation. Management conclude this does not create any material uncertainty to the financial statements as a whole.

If investment properties had been accounted for under historical cost accounting rules, the property would have been measured as follows:

	FHG 2021 £'000	FHG 2020 £'000
Historic cost	29,682	28,523
Accumulated depreciation and impairment	2,064	1,610
	27,618	**26,913**

16. Group and company

Investment in joint ventures

Cost and net book value	2021 £'000	2020 £'000
At 1 April	151	151
Additions	-	-
Impairment	-	-
At 31 March	**151**	**151**

The Group has the following aggregate interests in associated undertakings.

	2021 £'000	2020 £'000
Share of fixed assets	5	7
Share of current assets	485	297
Share of current liabilities	(133)	(73)
Share of net assets	**357**	**231**
Impairment - to show movement in the year	(206)	(80)
Investment	**151**	**151**

The Group owns 50% of the issued share capital of Three Together Limited, a company incorporated in England and Wales. Its wholly owned subsidiary, Access Training Limited, is a training and apprenticeship provider.

17. Stock

Group	2021 £'000	2020 £'000
Raw materials and consumables	150	139

18. Properties held for sale

Group	2021 £'000 Completed properties	2021 £'000 Land and properties under construction	2021 £'000 Total	2020 £'000 Completed properties	2020 £'000 Land and properties under construction	2020 £'000 Total
Outright sale	1,611	-	**1,611**	2,742	1,535	**4,277**
Shared ownership properties	531	4,966	**5,497**	2,157	5,467	**7,624**
	2,142	4,966	**7,108**	4,899	7,002	**11,901**

2019-20 values have been restated to reflect a movement between tangible fixed assets shared ownership properties under construction and shared ownership properties held for sale. Details can be found in note 33.

19. Debtors

	Group 2021 £'000	Company 2020 £'000	Group 2021 £'000	Company 2020 £'000
Due within one year				
Rent and service charges receivable	1,329	-	1,427	-
Less: provision for bad and doubtful debts - rents	(681)	-	(625)	-
	648	**-**	**802**	**-**
Other debtors	569	43	1,805	211
Prepayments and accrued income	1,356	607	1,805	422
Corporation Tax	-	-	7	7
Amounts due from group undertakings	-	199	-	386
Deferred tax	-	-	13	10
	2,573	**849**	**4,432**	**1,036**

20. Creditors: amounts falling due within one year

	Group 2021 £'000	Company 2021 £'000	Group 2020 £'000	Company 2020 £'000
Trade creditors	1,051	114	1,031	33
Rent and service charges received in advance	3,019	-	2,805	-
Corporation Tax	345	11	352	-
Other taxation and social security	476	303	568	336
Other creditors	1,009	36	1,442	345
Accruals and deferred income	8,275	607	7,938	596
Amounts owed to group undertakings	-	1,191	-	1,931
Inter-company loan	-	449	-	449
Deferred capital grant (note 22)	900	-	794	-
Right to Buy creditor	792	-	1,022	-
Bank loans	61	-	1,658	-
	15,928	**2,711**	**17,610**	**3,690**

21. Creditors: amounts falling due after one year

	Group 2021 £'000	Group 2020 £'000
Bank loans and bond finance (note 24)	280,278	253,890
Deferred capital grant (note 22)	37,430	34,070
	317,708	**287,960**

22. Deferred capital grant

	31 March 2021 £'000	31 March 2020 £'000
At 1 April	34,865	30,084
Grant received in the year	4,350	5,553
RCGF	37	-
Released to income in the year	(922)	(773)
	38,330	**34,864**
Social housing grant to be released within one year	(900)	(794)
Social housing grant to be released in more than one year	(37,363)	(34,003)
Other capital grant to be released in more than one year	(67)	(67)
	(38,330)	**(34,864)**

22a. Recycled capital grant fund

	31 March 2021 £'000	31 March 2020 £'000
At 1 April	-	-
Inputs to RCGF:		
Grant recycled from property disposals	37	-
Balance at 31 March	**37**	**-**

23. Provisions for liabilities and charges

Deferred tax	Group 2021 £'000	Company 2021 £'000	Group 2020 £'000	Company 2020 £'000
At 1 April	13	10	57	40
Amount credited to the statement of comprehensive income	(24)	(21)	(44)	(30)
At 31 March	(11)	(11)	13	10
Comprising:				
Fixed asset timing differences	(99)	(99)	13	10
Losses and other deductions	88	88	-	-
Deferred tax asset	**(11)**	**(11)**	**13**	**10**

24. Debt analysis

Group	31 March 2021 £'000	31 March 2020 £'000
Due within one year		
Bank loans	61	1,658
Due after more than one year		
Bank loans	67,661	106,247
Bond finance	214,344	149,109
Less: capitalised issue cash	(1,727)	(1,466)
	280,278	**253,890**

Based on the lenders' earliest repayment date, borrowings are repayable as follows:

	31 March 2021 £'000	31 March 2020 £'000
Within one year	61	1,658
Between one and two years	2,613	2,611
Between two and five years	40,533	55,524
After five years	238,859	197,221
	282,066	**257,014**

The Group fixes the interest rate on a proportion of its borrowings for a specific period of time; the maturity of these arrangements does not lead to a requirement to repay the debt.

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 one, three or six months and semi-annually if the fixture period is 12.

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

The bank and other loans are repaid in instalments at fixed and variable rates of interest ranging from 1.28% to 6.54%. The final instalments fall to be repaid in the period 2024 to 2044.

All loans are in sterling. The majority of loans in the Group are routed through two separate treasury vehicles:

Futures Treasury Plc was set up during 2018-19 as a funding vehicle for the issue of a £200m bond, of which £150m has been drawn on 8th February 2019 via a 25 year 3.375% coupon bond issue at a discount of 0.037%. Monies are lent to associations within the Group.

On 24th June 2020 FTP sold £50m of the retained bond at a coupon of 3.375%. The retained bond was sold at a premium of £16m with a spread of £1.15% above the yield of 0.591%, resulting in an overall rate of 1.741%.

The market value of the bond as at 31 March 2021 was £241.5m, derived by an external Bloomberg valuation

Futures Finance Ltd was also set up during 2018-19 and borrows money on behalf of the Group and on-lends to the individual associations as required. Futures Homescape and Futures Homeway have entered into a fully cross-collateralised structure.

The benefits of setting up the treasury vehicles include streamlined and efficient treasury procedures and strategy.

25. Financial commitments

	Approved and contracted for		Approved and not contracted	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Expenditure on the acquisition/construction of housing properties	54,052	47,609	25,147	18,543
Repairs partnering contracts	-	-	11,157	11,895
Acquisition of other fixed assets	2,701	-	5,929	7,476
Total	**56,753**	**47,609**	**42,233**	**37,914**
Financed by:				
Borrowings	53,432	45,016	25,147	18,543
Operating surpluses	3,321	2,593	17,086	19,371
	56,753	**47,609**	**42,233**	**37,914**

26. Operating leases

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

Group	2021 £'000	2020 £'000
Land and buildings		
Due to expire: within one year	196	339
Due to expire: one to five years	236	80
Due to expire: more than five years	-	-
	432	**419**
Equipment		
Due to expire: within one year	-	4
Due to expire: one to five years	-	-
	-	**4**

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

	2021 £'000	2020 Restated £'000
Surplus for the year	**10,858**	**11,749**
Adjustments for non cash items:		
Depreciation and impairment of tangible fixed assets	6,808	7,874
Pensions cost less contribution payable	(78)	799
Increase in trade and other debtors	1,859	(1,725)
Decrease in trade and other creditors	(2,833)	2,969
Decrease/(Increase) in stock and stock of housing	4,782	(8,869)
Profit on sale of other housing properties	(859)	(2,915)
Amortisation of government grants	(922)	(773)
Revaluation of investment properties	(1,035)	(662)
Interest payable	9,810	9,016
Interest receivable	(656)	(180)
Net cash inflow from operating activities	**27,733**	**17,283**

2019-20 values have been restated to reflect a movement between tangible fixed assets shared ownership properties under construction and shared ownership properties held for sale. Details can be found in note 33.

28. 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 2021 £'000	Company 2021 £'000	Group 2020 £'000	Company 2020 £'000
Financial assets that are debt instruments measured at amortised cost:				
Rental debtors	648	-	802	-
Other debtors	569	43	1,843	211
Amounts due from group undertakings	-	199	-	386
	1,217	**242**	**2,645**	**597**
Financial liabilities measured at amortised cost:				
Trade and other creditors	1,051	114	1,031	33
Accruals	8,275	607	7,938	596
Right to Buy creditor	792	-	794	-
Loans	282,066	-	257,014	-
Amounts owed to group undertakings	-	1,191	-	1,931
	292,184	**1,912**	**266,777**	**2,560**

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 2021 £'000	Company 2021 £'000	Group 2020 £'000	Company 2020 £'000
Short-term money market deposits	55,500	-	24,053	-
Special interest bearing accounts	20,504	604	28,716	1,777
	76,004	**604**	**52,769**	**1,777**

The interest rate profile of the Group's loan liabilities at the 31 March 2021 was:

	2021 £'000	2020 £'000
Floating rate	12,877	51,402
Fixed rate	269,189	205,612
Total (note 21)	**282,066**	**257,014**

The financial liabilities have a weighted average interest rate of 3.81% (2020: 3.64%). The fixed rate sums are fixed for between 2 and 23 years.

The debt maturity profile is shown in note 24.

29. Net debt reconciliation

	1 April 2020 £'000	Cash flows £'000	Other non-cash changes £'000	31 March 2021 £'000
Bank loans				
Within one year	(1,658)	1,658	-	-
Between one and two years	(2,611)	-	-	**(2,611)**
Between two and five years	(55,524)	20,000	-	**(35,524)**
After five years	(47,760)	18,526	(67)	**(29,301)**
Bond				
After five years	(147,994)	(65,768)	859	**(212,903)**
	(255,547)	(25,584)	793	**(280,339)**
Cash at bank and in hand	54,396	3,902	-	**58,298**
Total	**(201,151)**	**(21,682)**	**793**	**(222,041)**

30. Related parties

The company has taken advantage of the exemption in FRS 102 from disclosing transactions with its wholly owned subsidiaries.

During the year the Company paid £579 (2020: £200) to Access Training, a company with whom the Group has a beneficial interest in respect of sponsorship of an event.

Futures Greenscape Limited

Two members of the Board who served during the period, Suki Jandu and Ian Skipp, were Executive Directors of FHG. They are not able to use their position to their advantage.

Transactions with non regulated Group members

During the year the company received £35k (2020: £42k), from Futures Greenscape Limited and £41k (2020: £41k) from Limehouse Developments Limited. This is allocated on the basis of staff time. The company also received £123k (2020: £98k) from Five Doorways Homes Limited. This is allocated on the basis of units managed. This income is from non-regulated Group members for the provision of central services, such as finance and HR.

The company also has in place a loan from Five Doorways Homes Limited of £449k and has paid £18k in interest payments.

In addition intra-group transactions occurred between other regulated and non regulated Group members during the year:

Futures Homescape Limited has loans in place from Futures Finance Limited of £40.7m and from Futures Treasury PLC of £142.9m. Futures Homeway Limited has loans in place from Futures Finance Limited of £25.1m and Futures Treasury PLC of £71.4m.

Futures Finance Limited has received loan interest from Futures Homescape Limited of £1,964k and from Futures Homeway Limited of £1,558k. Futures Treasury PLC has received loan interest from Futures Homescape Limited of £4,804k and Futures Homeway Limited of £2,367k.

Futures Homescape Limited and Futures Homeway Limited paid £1,016k and £730k respectively (2020: £1,231k and £611k) to Futures Greenscape Limited for the provision of ground maintenance services and void works. Futures Homescape Ltd also received £58k (2020: £47k) for maintenance services from Five Doorways Homes Ltd.

Futures Homescape Limited received £91k (2020: £109k) for the provision of vehicles to Futures Greenscape Limited. Futures Homescape Limited has a loan in place to Limehouse Developments Limited of £770k to fund the development of homes for outright sale and has received £120k in interest payments.

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 11.

31. Interest in subsidiaries

The financial statements consolidate the results of Futures Housing Group Limited with its subsidiaries, (on the basis of control). Futures Homescape Limited, Futures Homeway Limited, Five Doorways Homes Limited, Limehouse Developments Limited, Futures Greenscape Limited, Futures Finance Limited and Futures Treasury PLC. 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. Limehouse Developments Limited primary activity is the development of homes for outright sale. Futures Finance Limited and Futures Treasury PLC's primary activity is to act as onward lenders of funds raised from loan financing and debt capital markets.

32. Post balance sheet events

The Group has considered the financial impact of Covid-19 since the balance sheet date of 31 March 2021. The Group's view is that there are no post balance sheet events that require the amounts in the accounts to be adjusted. This conclusion is supported by regular cash flow monitoring, budget monitoring and updated financial forecasting.

33. Prior year adjustment

A prior year adjustment has been made to reclassify shared ownership assets under construction which had been all previously included in tangible fixed assets under construction. These costs have been apportioned between tangible fixed assets and current assets - properties held for sale. The impact of this adjustment is shown below.

Statement of final position	Prior year adjustment 2019-20 £'000
Tangible fixed assets - property	
Shared ownership properties under construction	
At 31 March as previously stated	10,933
Transfer to current assets - properties held for sale	(5,467)
At 31 March restated	**5,467**
Current assets - properties held for sale under construction	
At 31 March as previously stated	-
Transfer from tangible fixed assets SO properties under construction	5,467
	5,467
Reconciliation of surplus to net cash inflow from operating activities	
Increase in stock of housing as previously stated	(3,402)
Transfer from purchase of tangible fixed assets	(5,467)
Increase in stock of housing restated	**(8,869)**
Consolidated statement of cash flows	
Net cash inflow from operating activities as previously stated	22,750
Transfer from purchase of tangible fixed assets	(5,467)
	17,283
Purchase of tangible fixed assets as previously stated	(38,373)
Transfer to Increase in stock of housing	5,467
Purchase of tangible fixed assets restated	**(32,907)**

Thank you

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