Futures Housing Group

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

Futures Housing Group Limited

Annual report and financial statements

Year ended 31 March 2023

Contents

Futures Housing Group Limited
Year ended 31 March 2023

Board members, executive directors, advisors and bankers

Board		**Appointed**	**Resigned**
Chair	Michael Stevenson	21 May 2019	
Vice Chair	Sheila Hyde	21 March 2017	31 March 2023
	Mary Daunt	1 April 2023	
Other members	Lindsey Williams	23 July 2013	
	Stephen Hale	15 July 2015	27 July 2022
	Raymond Harding	26 January 2016	
	David Brooks	19 July 2017	
	Timothy Slater	19 July 2017	
	Mary Daunt	22 May 2018	
	Ciara McMillan	6 November 2018	
	Peter Burke	10 August 2020	
	Michael Stevenson	26 January 2016	
	Sheila Hyde	23 September 2014	31 March 2023
	Samantha Veal	8 December 2021	
	Laurice Ponting	1 March 2023	

Company Secretary Ian Skipp

Executive directors		
	Chief Executive	Lindsey Williams
	Group Finance and Resources Director	Ian Skipp
	Group Director of Strategic Partnerships and Growth	Ceri Theobald
	Group Director of Customer Services	Dean Anderson (left 17 June 2022)
	Group Director of Business Change and Strategy	Nicola Hope

Registered office

Futures House
Building 435, Argosy Road
Castle Donington
DE74 2SA

Registration numbers

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 Solicitors 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 2023.

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 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 2023 FHL owned 6,812 housing properties (2022: 6,703) for social or affordable rent, shared ownership and market rent. 2,229 of these homes are supported housing which include a lifeline service (2022: 2,229). It also manages 83 properties on behalf of others (2022: 87).

Futures Homeway Limited (FHW) formed in 2007. Registered provider with the RSH. At 31 March 2023 FHW owned 3,440 housing properties (2022: 3,432) for social or affordable rent, shared ownership and market rent. 886 of these homes are supported housing which include a lifeline service. (2022: 886)

Five Doorways Homes Limited (5D) formed in 2004. Not a registered provider. At 31 March 2023 5D owned 85 housing properties (2022: 97). 5D is a subsidiary of FHL.

Futures Living Limited (FLL) formed in 2015. It acts as a development vehicle for properties for outright sale. FLL is a subsidiary of 5D.

Futures Finance Limited (FFL) formed in 2018 and 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 and 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 efficiently and effectively 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.

Strategic Report (continued)

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 which include an Insight Committee.

Value for money statement

1. Introduction

Value for money (VFM) is defined by the Regulator of Social Housing (RSH) and this statement details achievements throughout the year and shows how embedded VFM is throughout the Group and the positive impacts made as a result.

Our vision

The Group is currently operating within its 2020-23 corporate plan, which has been extended to 2023-24 and 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:

VFM outcome-based targets are set and agreed by the Board each year to underpin the four corporate objectives in the corporate strategy. 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 median level.

VFM is embedded throughout the culture of FHG and is considered for all decisions. FHG has a clear track record of driving cost reduction and improving performance while generating savings for re-investment in both existing stock building new homes.

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 Executive Team receives quarterly performance and quarterly budget monitoring reports.

The Board sets and oversees the strategic direction of the Group.

The Audit & Risk Committee, which acts as VFM champion for the Board, sets the annual VFM strategy that includes VFM targets. The committee also monitors actual performance against measurable targets.

Customers are also part of the scrutiny framework. The Group has an Insight Committee, consisting of Board members and customer representatives. It is consulted for key decisions relating to the service provided to customers and also provides a forum for customers to feedback what works and desired improvements they seek. These inform Board decisions on areas for investment to help improve effectiveness and shape the Group's strategic direction.

Strategic Report (continued)

- Sections 2 - 7 shows the results from the VFM targets set at the beginning of the year and these are in addition to the mandatory RSH VFM metrics. The results have been graded to show whether the target has been met, is delayed but moving towards target, or not met.
- Section 8 shows the 2021-22 external benchmarking to compare performance against 15 similarly sized housing providers ranging from 8,800 to 15,000 homes.
- Section 9 shows RSH VFM metrics, analysing how the Group compares to the sector.
- Section 10 provides a summary of overall financial performance alongside a forward looking view of the key financial metrics.
- Section 11 reviews potential future VFM gains achievable through alternative commercial, organisational and delivery structures.
- Section 12 provides analysis of non-social activity performance.

Futures Housing Group Limited
Year ended 31 March 2023

Strategic Report (continued)

2. Customer strategy VFM targets

Strategy	Aim	VFM Targets and Outcomes		Full year results
Customer *To have a clearly defined customer offer delivered through effortless customer experiences.*	Deliver an effortless customer experience.	Effectiveness: Reduce failure demand (do something right for the customer) 2022/2023 –By 5% 2023/2024 –Further 5%		Failure demand has reduced by 5% to 9% and remains lower than the previous two financial years. Failure demand below 20% is deemed to be a good performance.
	Utilise our resources and develop and maintain effective partnerships to promote and support tenancy sustainment and maximise the opportunities for employability, health and training and homelessness.	Economy: Manage customers' tenancies to ensure bad debt write offs are no more than 1.5%.		Bad debt write off adjustments result for the year was 1% due to robust income management and support provided to customers.
		Effectiveness: 240 customers receiving High Level Intensive Planned Support per year through Tenancy Sustainment, Money Advice and Employment Advice programmes.		Overall FY2022-23 276 customers have received high level intensive support provided by the Tenancy Support Team.
	Evaluate the impact of our performance using customer focused metrics to ensure that the whole organisation is customer focused in the way it operates; ensuring that the voice of the customer is heard throughout the organisation.	Effectiveness: Customer satisfaction in the upper quartile compared to industry benchmarks.		Overall satisfaction (using new TSM methodology) is 73%, which is the second quartile compared to benchmarks. Upper quartile target is 77%-100%. Survey learning outputs are implemented by teams responsible for customer satisfaction with a view to achieve upper quartile performance.
		Effectiveness: Customer satisfaction with our neighbourhoods in the upper quartile compared to industry benchmarks.		Satisfaction with contribution to neighbourhoods (using new TSM methodology) is 65%, which is the second quartile compared to benchmarks. Upper quartile target is 69%-100%. Survey learning outputs are implemented by teams responsible for customer satisfaction with a view to achieve upper quartile performance.

Strategic Report (continued)

3. Homes strategy VFM targets

Strategy	Aim	VFM Targets and Outcomes	Full year results
Homes *To ensure our housing stock meets all standards and the needs of our current and future customers*	Continued investment to ensure existing stock is maintained at decent homes plus standard.	Economy, Efficiency, Effectiveness: Repairs Team expansion plan to increase in-house delivery to 50% *(FY2021/22: 40% of asset works by cost).*	Progress has continued during 2022-23 with an increase to 46%. This reduces the reliance on external contractors which will improve response times and reduces the risk of price increases. The target is to achieve 50% by March 2025.
	Continued investment to ensure existing stock is maintained at decent homes plus standard. Ensure legal and statutory compliance.	Efficiency, Effectiveness: Homes remain 100% compliant with all statutory & regulatory standards.	As at 31st March 2023 all homes are 100% compliant with the Decent Homes and Regulatory Standards.
		Effectiveness: Satisfaction with the safety and quality of our homes in the upper quartile compared to industry benchmarks.	Satisfaction with safety (using new TSM methodology) is 83%, which is the second quartile compared to benchmarks. Upper quartile target is 85%-100% which is the aim for the organisation to get to.
	Optimise investment decisions for existing stock type, geography and future sustainability.	Economy: Clearly aligned & implemented stock data investment requirements within the 30 year business plan.	Review undertaken annually as part of the budget setting process. The business plan aligns with the stock investment required. This ensures resources are available for component replacements required to maintain the Decent Homes Standard.

Futures Housing Group Limited
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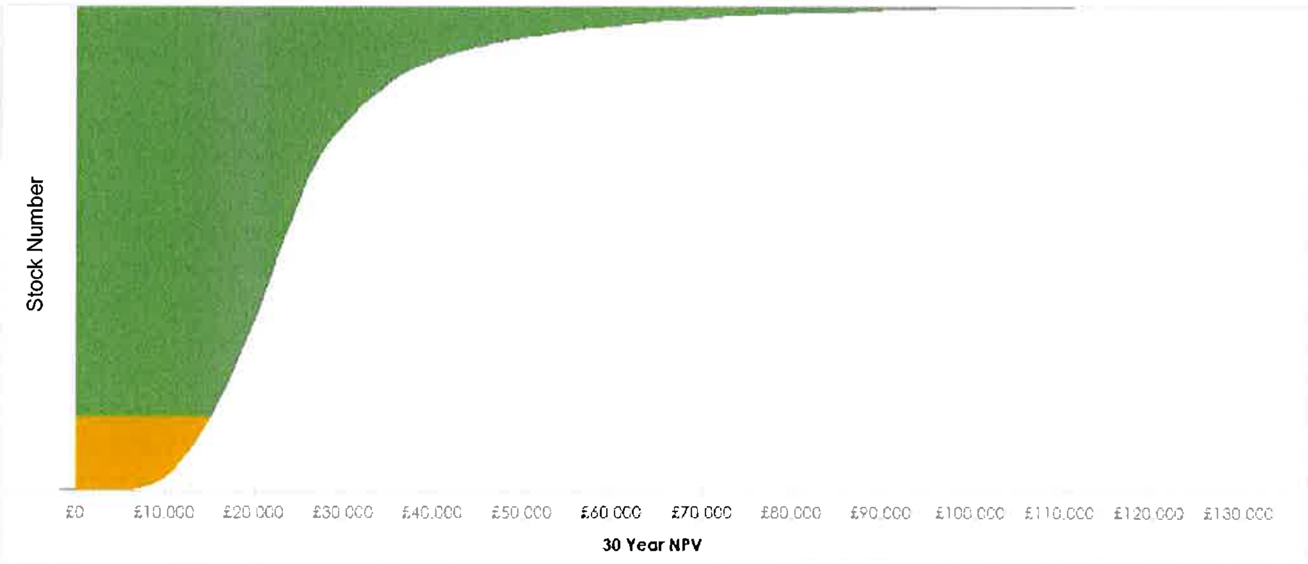
Strategic Report (continued)

Return on assets

The Savills Housing Asset Performance Evaluation (SHAPE) 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 (Standard Assessment Procedure) 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 and 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 and community feeling.



The chart highlights that 0.02% of the stock (two units) have a negative NPV over 30 years, with 14% (1,411 units) showing marginal performance with NPVs below £15,000. This information is used to review properties and evaluate options for improvement.

The Group's Asset Investment Committee (AIC) oversees active asset management. Only two assets have a negative NPV but 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.

Strategic Report (continued)

4. Growth strategy VFM targets

Strategy	Aim	VFM Targets and Outcomes	Full year results	
Growth *To identify and facilitate organic and inorganic geographic and service offer growth opportunities*	Partnerships & strong voice.	Effectiveness: Under the 'LIFE' model, have a lead role with 3 organisations, including 2 meetings per year.		Meetings took place with West Northants and Amber Valley. There are limited opportunities to take a leading role in other areas due to stock size. Two meetings with MPs were held with strong relationships developed. These meetings are used to discuss current topics such as the rent cap and sustainability within the MP's constituency as well as other sector challenges to understand the impact upon FHG.
	LIFE (Leading, Influencing, Following, Exiting).	Effectiveness: Demonstrate an improvement in our stakeholder's impression from the Perceptions audit to be run by PR & Comms.		Stakeholder perception work was postponed during the year in order to be implemented during 2023-24.

5. Development strategy VFM targets

Strategy	Aim	VFM Targets and Outcomes	Full year results	
Development *To identify and facilitate organic growth of our stock and asset base*	Maximise delivery of new homes across all tenures within a core East Midlands geography with an increased focus on social and affordable tenures.	Efficiency, Effectiveness: Deliver quality new homes at minimum EPC (Energy Performance Certificate) B.		New build properties are at EPC B and this will continue alongside new recommendations following the introduction of the Futures Homes Standard.
		Effectiveness: Satisfaction with moving into a new home in the upper quartile compared to industry benchmarks		Overall satisfaction with 'new' homes was 91%. No industry benchmark is available for this metric from equivalent housing associations, however this is deemed to be a positive result.

6. Digital strategy VFM targets

Strategy	Aim	VFM Targets and Outcomes		Full year results
Digital *Enable customers to consume digital services by choice, also applying the culture, processes, business models & technologies of the internet era to respond to partners and customers raised expectations*	Efficiency Gains.	Economy: Number of operational hours saved as a result of process automation; 2022-23 –300 hours per month 2023-24 –Further 50 hours per month.		During 2022-23, 402 hours per month were saved as a result of process automation.
	Provide effortless customer experiences.	Effectiveness: Customer Satisfaction Score for digital services 2022-23 –No more than 10% dissatisfaction 2023-24 –No more than 7% dissatisfaction		Currently satisfaction data is taken from Customer Relationship Surveys and for financial year 2022-23 the combined level of dissatisfaction for My Account and Webchat is 13%, based on 146 customers providing feedback for My Account and 14 customers providing feedback for Webchat. Learnings from this feedback is used to improve this service.
	More customers choosing to use our digital services rather than other contact routes.	Efficiency: Proportion of total customer interactions that are digitally served 2022/2023 30% 2023/2024 40%		Over the financial year, 37% of total customer interactions were digitally served. (Data taken from My Account active users, chatbot activity and Help Hub).

Futures Housing Group Limited
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Strategic Report (continued)

7. Business change strategy VFM targets

Strategy	Aim	VFM Targets and Outcomes		Full year results
Business Change *To transform into an agile, adaptive organisation delivering effective, low effort services at the lowest cost to serve.*	Deliver the transformation plan and embed the principles of systems thinking and continuous improvement.	Economy, Efficiency, Effectiveness: Transformation Programmes to demonstrate pre & post VfM review of and improvement in cost, efficiency & effectiveness as appropriate.		Transformations completed during the year includes People Services, with recommendations implemented. Allocations and Lettings, Customer Services and the Development Improvement Programmes are in progress.
	Develop a culture of trust, empowerment, agility, authenticity and accountability.	Efficiency, Effectiveness: Maintain 100% compliance with all mandatory training.		The training plan is being delivered to time and budget. 100% of required mandatory training has been delivered and completed.
	Grow and nurture talent to support a fit for the future agile workforce.	Effectiveness: Maintain at least 90% employee engagement score.		The full employee engagement survey has been completed in March 2023 with an employee engagement score of 92% and a ENPS score of +49, both of which are an increase on the previous survey.
		Effectiveness: Post completion of Futures House – planned vs actual benefits assessment. Plans for Leabrooks depot to be developed.		Post completion review of Futures House has been undertaken and recommendations for future improvements currently in review alongside options appraisals for the Leabrooks Depot.
		Effectiveness: Conversion rate of 70% of Apprentices & Graduates into permanent employment once their course finishes.		Graduate conversion rate is currently at 75%, with 1 graduate having left to pursue an alternative career opportunity. All of the 2021 cohort of graduates are in permanent roles in the business. All 20 of our Apprentices in the Repairs construction academy are enrolled on their respective trade skill apprentice course.
		Effectiveness: Maintain the IIP Platinum Standard.		The Platinum award has been retained.
		Effectiveness Economy: 2.5% of workforce in Apprenticeship and Graduate positions.		On track with 6.55% of the workforce in Apprenticeship and Graduate positions.

Additional VFM efficiency targets

	Targets FY 2022/23 £'000	Actual FY 2022/23 £'000	Targets FY 2023/24 £'000
Cost savings from contract negotiations	500 (inflation adjusted)	932	250 (inflation adjusted)
Cost savings from insourcing repairs	300	287	300
Profit on sale as a result of asset maximisation	100	336	105

Inline with strong financial management no assumed savings from the above have been assumed in the budget and business plan. Other economy targets include:

	Targets FY 2022/23	Actual FY 2022/23	Targets FY 2023/24
Rent loss from voids to be less than	1.20%	1.10%	1.00%
Rent loss from bad debts to be less than	1.50%	1.00%	1.50%
Profit on sale from RTB/RTA	287	1,131	331
Sustainability	100 EWI	254 EWI	73 EWI

8. External benchmarking to compare internal VFM targets performance with peers

For this year, the benchmarking provider was changed to i4H in order to receive more granular data and due to the data collation process being more efficient. As a result the number of peers has reduced from 90 last year to 15 this year, therefore relatively small variances has impacted quartile positions and also prior year comparisons cannot be undertaken. Customer service effectiveness measures still have an aim for the upper quartile and cost measures are aimed to be either quartile 1 or 2. Due to the timing of when data is available, the measure is data for 2021-22.

Performance Indicator	2021-22	Peer Median	Quartile
Rent collected current and former tenants (including arrears b/f)	96.93%	96.60%	1
Current tenant arrears (Excluding Voids)	1.30%	2.59%	1
Former tenant arrears (Excluding Voids)	1.77%	1.62%	3
Rent loss due to voids	0.91%	0.49%	4
Average time to complete repairs (Days)	10.9	11.5	1
Satisfaction with the last repair (Transactional)	87.69%	89.89%	4
Average relet time (Days)	29.44	21.44	4
Gas safety certificate %	100.00%	100.00%	1
SAP rating	70.03	71.57	3

Former Tenant Arrears: this measure is 0.15% adverse to the peer median. The Income Team are currently exploring options with external debt collection agencies to chase former tenants.

Rent loss due to voids: this measure is 0.42% adverse to the peer median which is because FHG uses the opportunity to complete all repair works, major and minor, whilst the property is void to minimise future tenant disruption.

Satisfaction with the last repair: Customers are contacted post repair completion to survey performance. Suggestions and feedback are fed back through the complaints team to improve the service.

Average relet time: reasons are in line with rent loss due to voids.

SAP Rating: The Group has an operational sustainability strategy to improve the efficiency rating of homes.

9. Regulator of Social Housing VFM metrics

The table below shows the Group's performance on the VFM metrics specified by the RSH. These have been graded as green (≥ median), or red (< median) when compared to the global accounts of other housing associations.

Gearing is above the sector median because our net book value of fixed asset values are below the sector average (average £17k per unit, being the initial transfer price plus subsequent major improvement works and after depreciation). A more relevant measure of gearing for the Group is the gearing covenant set by the funders for which we have significant headroom and the basis for calculation differs to what the RSH requires.

The EBITDA MRI metric is lower than average due to the Group accelerating fire compartmentation and sustainability works.

	Actuals 2019-20	Actuals 2020-21	Actuals 2021-22	Actuals 2022-23	Target 2023/24	Target 2024/25	Target 2025/26	Target 2026/27	Global Accts 2021-22 Median
Reinvestment % Efficiency measure	15.3%	9.0%	9.0%	11.5%	15.1%	14.5%	15.0%	13.9%	6.5%
New supply delivered % (Social housing) Effectiveness measure	1.67%	1.29%	1.7%	1.4%	1.6%	2.8%	2.1%	2.3%	1.4%
New supply delivered % (Non social housing) Effectiveness measure	0.92%	0.17%	0.07%	0.04%	0.16%	0.11%	0.27%	0.00%	0.0%
Gearing % Efficiency measure	77.5%	81.7%	78.8%	81.2%	75.5%	76.6%	76.6%	76.1%	44.1%
EBITDA MRI interest cover Efficiency measure	198%	183%	144.6%	110.4%	130.8%	134.7%	174.6%	147.7%	146%
Headline social housing cpu Economy measure	£3,047	£3,045	£3,700	£4,286	£4,767	£4,849	£4,648	£4,541	£4,150
Operating Margin % Social housing lettings Efficiency measure	32.1%	36.7%	32.7%	27.2%	29.4%	31.3%	34.6%	33.4%	23.3%
Operating Margin Overall Efficiency measure	30.5%	30.4%	28.8%	26.1%	27.7%	28.8%	32.2%	31.6%	20.5%
Return on capital employed	5.98%	5.15%	3.93%	3.66%	4.08%	4.44%	4.70%	4.03%	3.20%

cpu = cost per unit

Strategic Report (continued)

Regulator of Social Housing VFM metrics (continued)

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

Global Accounts 2022	Upper Quartile CPU £000's	Median CPU £000's	Lower Quartile CPU £000's	Actuals 2020-21 £000's	Actuals 2021-22 £000's	Actuals 2022-23 £000's	Target 2022-23 £000's	Cost (decrease) to reach median £'s
Headline Social Housing CPU	5.18	4.15	3.70	3.05	3.66	4.29	**3.96**	(1,371,650)
Broken down into:								
Management CPU	1.54	1.11	0.88	1.02	1.29	1.34	**1.24**	
Service Charge CPU	0.83	0.47	0.28	0.22	0.25	0.28	**0.26**	
Maintenance CPU	1.55	1.20	0.90	0.97	0.86	0.84	**0.78**	
Major Repairs CPU	1.26	0.89	0.53	0.75	1.04	1.53	**1.42**	
Other Social Housing CPU	0.29	0.03	0.00	0.08	0.22	0.29	**0.27**	

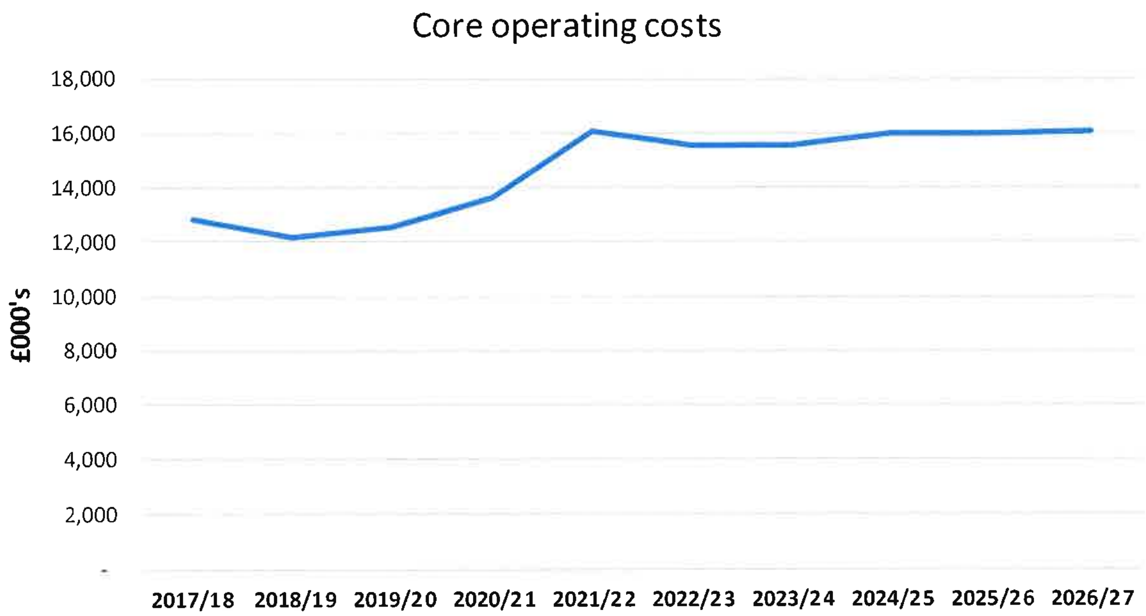
10. Historical financial performance

As shown in the table below, the Group has had significant financial strength over the past five years. 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 new homes and invest into existing homes.

	31-Mar 2019 (£'000)	31-Mar 2020 (£'000)	31-Mar 2021 (£'000)	31-Mar 2022 (£'000)	31-Mar 2023 (£'000)
Statement of comprehensive income					
Total turnover	50,592	57,824	62,254	59,687	59,389
Operating costs	(33,473)	(40,381)	(43,304)	(42,559)	(44,385)
Revaluation of investment properties	1,747	662	1,035	2,368	684
Surplus on sale of housing properties and other fixed assets	1,207	2,915	859	1,538	1,661
Operating surplus	**20,073**	**21,020**	**20,844**	**21,034**	**17,349**
Operating profit %	40%	36%	33%	35.2%	29.2%
Surplus for the year transferred to reserves	7,222	20,397	3,448	18,982	15,588

	31-Mar 2019 (£'000)	31-Mar 2020 (£'000)	31-Mar 2021 (£'000)	31-Mar 2022 (£'000)	31-Mar 2023 (£'000)
Statement of financial position					
Fixed assets	264,470	290,768	314,352	343,126	372,742
Net current assets	25,458	53,258	70,201	131,973	82,531
Creditors over one year	(262,682)	(296,382)	(333,462)	(405,026)	(369,612)
Total net assets	27,246	47,644	51,091	70,073	85,661

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 graph shows that over this period, operating costs increased as the Group invested into key strategic projects and since 2022-23 the increases are in line with inflation.

Forward looking financial performance:

	31-Mar 2024	31-Mar 2025	31-Mar 2026
EBITDA MRI (£'000) *	14,550	16,221	19,835
EBITDA MRI as % of interest payable *	162%	166%	195%
Average interest rate % on debt *	3.75%	3.81%	3.47%
Groupwide Net debt per unit (£'000)	23.5	26.2	29.4

* *Funders calculation*

Forward looking financial performance: EBITDA MRI (continued)

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 EBITDA MRI% 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 in line with the Treasury Policy. Business plans are robust and financially viable in a variety of scenarios where adverse economic conditions have been tested.

Loan covenant compliance

COVENANT FORECASTS		2022-23 Actual	2023-24 Forecast	2024-25 Forecast	2025-26 Forecast	2026-27 Forecast	2027-28 Forecast
Gearing forecast - Group	NW	56%	56%	58%	57%	57%	55%
Gearing covenant - group		80%	75%	75%	70%	70%	70%
Internal Limit (4% below covenant)		76%	71%	71%	66%	66%	66%
EBITDA MRI interest cover	NW	138%	162%	166%	195%	167%	150%
EBITDA MRI interest cover covenant		110%	110%	110%	110%	110%	110%
Internal Limit		121%	121%	121%	121%	121%	121%

As shown in the table above, the Group's loan covenant performance is forecast to comply over the next five years, with significant headroom. This demonstrates the strength of the organisation. The Group has stress tested its business plans and headroom remains strong under a variety of scenarios.

Strategic Report (continued)

11. 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. Plans to combine FHL and FHW did commence but were put on hold during the current cost of living crisis to ensure resources went towards customer facing activities. This is something that may be reconsidered in the future.

Partnership announcement

On 4th October 2022, a decision was made to cease partnership discussions with bpha and Flagship Housing Group due to the adverse economic environment eroding the benefits originally envisaged when talks commenced.

Treasury Management

Due to favourable economic conditions, a number of higher interest loans have been repaid to reduce the interest payable for FHG. These were loans for which the funds were not required for at least two years in compliance with the Treasury Policy.

Repairs Academy

The Repairs Academy has continued to train apprentices 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 and providing the Group with more control to ensure the highest quality of service being provided.

Process automation technology

The automation strategy has continued to drive operational efficiency by automating routine and repetitive processes across the Group. During 2022-23, an additional 402 hours of administrative time per month was automated.

12. 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 and market rent properties. The Board has reduced appetite for outright sales and none have been built in 2022-23. Currently none are planned to be built in the next five years. The table below summarises the gains over the past two years and includes a five year future forecast.

Past and future gains	2021-22 *£000's*	2022-23 *£000's*	2023-24 *£000's*	2024-25 *£000's*	2025-26 *£000's*	2026-27 *£000's*
Profit from property sales						
RTB/RTA	1,494	1,642	421	459	323	169
Shared ownership	169	121	1,816	1,337	1,165	537
	1,663	**1,764**	**2,237**	**1,796**	**1,488**	**706**
Profit from diversified activity*						
Outright sales	334	(10)	-	-	-	-
Market rent	580	1,024	601	613	626	638
	914	**1,014**	**601**	**613**	**626**	**638**

** profit before loan interest*

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 4 (Growth).

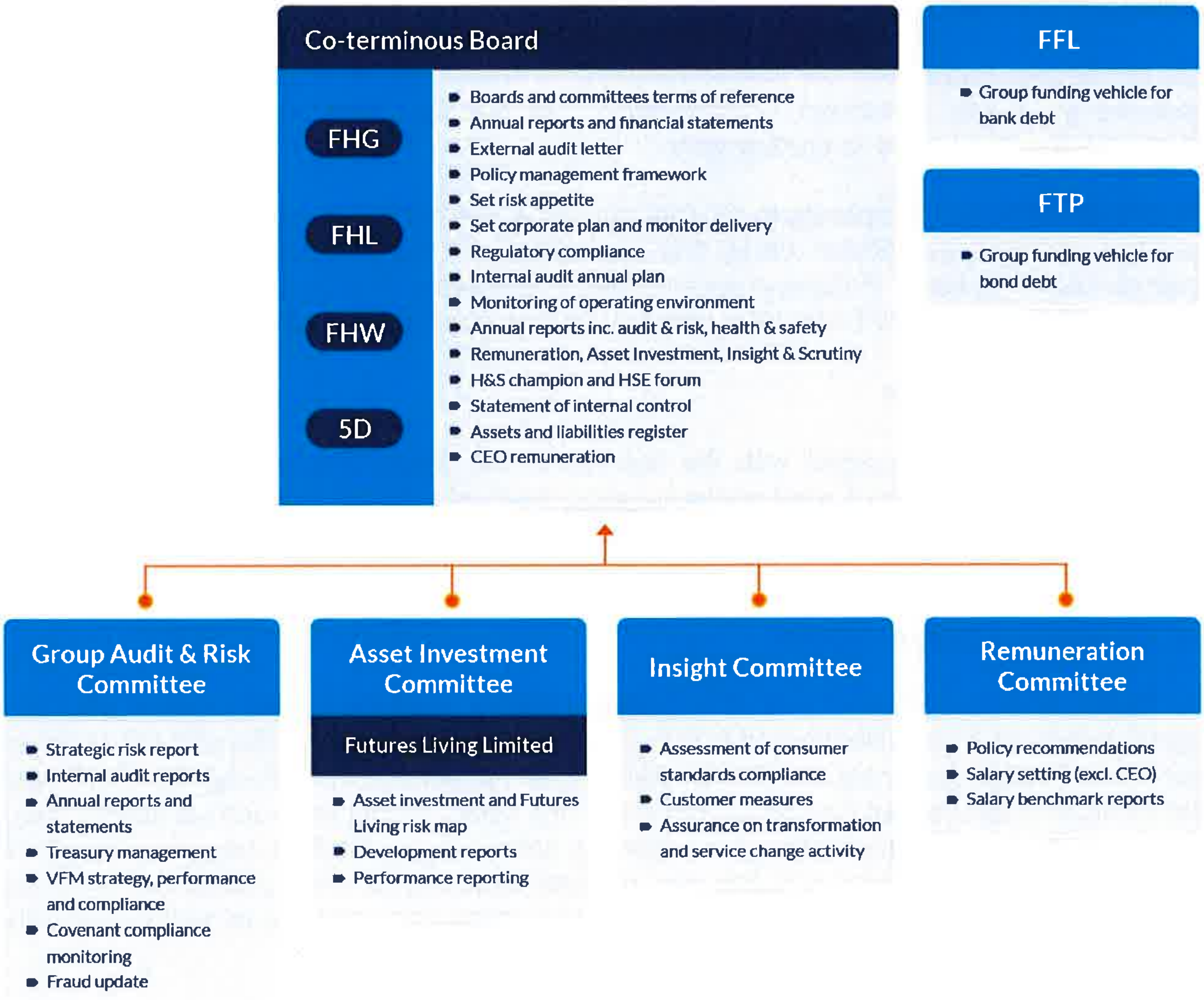
The Board, Audit & Risk Committee and Asset Investment Committee regularly review the risk of diversified activity. The business plans are built in line with the Group's key rules for financial management.This ensures that business plans are not dependent on sales receipts to meet existing and future liabilities or to meet loan covenants.

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

In addition to these controls, the Group has a £7.5m outright sales exposure cap and sales income should be no more than 25% of total turnover to reduce the risks associated with property market declines. The Board regularly reviews these limits to ensure they are appropriate.

Governance

The Group has a Co-terminous Board, consisting of the boards of FHL, FHW, FHG and 5D. The diagram below shows the governance structure and assurance map.



To support the Executive Team and Boards, there is a Co-Executive Team which consists of other directors and senior managers across the business. This team meets monthly to drive and scrutinise performance. Strategy steering groups also drive strategy implementation and they meet quarterly.

Strategic Report (continued)
External environment

Regulator of Social Housing

The RSH is a Government body who's role it 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 of regulatory standards that are classified as either economic or consumer. In addition there are codes of practice that registered providers need to comply with.

The Group continues to operate to the highest standards and its Boards are able to demonstrate that they manage the Group under the principles of co-regulation underpinned by a robust governance framework. Following an in-depth assessment in 2021 the Group has continued to maintain the highest G1/V1 regulatory rating, with the next assessment taking place in 2023-24.

Government legislation

The Board has fully engaged with the themes in the *Social Housing (Regulation) Bill* which introduced a new charter of what social housing residents should expect from their landlord and has expectations that their voices are listened to. The Group is compliant with all of its requirements and has started to report on tenant satisfaction measures as well as increasing the complaints team to allow FHG to learn from increased customer complaints as a result of the new consumer regulation regime.

The Group is also compliant with the *Building Safety Act* which introduces a new regulatory regime, overseen by the Health and Safety Executive, to enhance the fire and structural safety of new and existing residential buildings. FHG does not have any high-risk buildings taller than 18m or seven storeys, but has prioritised other fire safety measures such as accelerating works to improve fire compartmentation for adjoining homes and installing new fire doors. All new developments are compliant with the new requirements with a three phase 'gateway' approach to ensure that at the end of each key development stage (planning, construction and handover), all building safety aims are achieved before starting the next stage.

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 Board oversees the health and safety compliance, as well as there being a health and safety forum and a Repairs and Assets Group.

In response to *Awaab's Law*, which is going through consultation, FHG have increased resources for the frontline and Assets team to ensure any health & safety issues are prioritised. Any Damp, Mould & Condensation complaints are investigated quickly and if any high category issues are identified, tenants are offered the option to be rehoused until the issue is repaired.

New Homes Standard

This new legislation is expected to be introduced by 2025 and we expect that there will be a requirement that all new build homes should be future proofed with low carbon heating and leading levels of energy efficiency. Building regulations are likely to be changed to ensure that 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 and all new properties are built to at least EPC B standard.

Affordable Homes Programme

£171m of grant was awarded to the strategic partnership between Futures Housing Group, Midland Heart and East Midlands Housing, under the new Affordable Homes Programme. This provided the Group with an additional £21.8m in funding that is being used towards delivering 500 new homes to local and surrounding areas.

Half of the programme will be for low cost home ownership. A new model has been introduced that allows customers to purchase a minimum of 10% equity in their home as compared to a minimum previously of 25%. In addition it will allow owners to purchase further equity in smaller increments 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 up to £500 a year. 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%.

ESG (Environmental, Social, Governance)

The Group complied with the Streamlined Energy and Carbon Reporting (SECR) regulations, which is reported in the these accounts. As well as complying with the SECR regulations, the Group has adopted the Sustainability Reporting Standard for Social Housing and produced its first report during the year. Sustainability reporting is relevant to the Group's investors and is a key tool to demonstrate the Group's delivery on the Social Housing (Regulation) Bill expectations, a new Homes Standard and the Energy White Paper. More on this topic is included in the these financial statements.

Rent policy

Due to the high inflation rates the Government has capped the permitted rent increase to 7% for 2023-24 (previously it was CPI plus 1%). In order to support the delivery of services to existing customers and to deliver additional new homes, FHG 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 were increased in line with the rent guidelines, however a review of affordability to our customers is undertaken each year before any rent increases are proposed to Board.

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. Capacity is also created to help fund future environmental and sustainability investments in existing homes.

The Group continues to help customers with a focus on debt prevention and has delivered exceptional rental arrears performance by working closely with affected customers and implementing a new system to highlight customers who may be at risk earlier on.

Risk and Uncertainties

The main risks that may prevent the Group achieving its objectives are considered and reviewed annually by the Board as part of the corporate planning process. They are also monitored during the year by the Audit & 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.

Strategic Report (continued)
Corporate risks

The key corporate risks are outlined in the following table.

Risk	Current controls and sources of assurance
Increasing arrears or 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 phone line through to Money Coaches offers instant solutions, whilst an intensive support element is available for customers identified as needing longer term assistance. 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 DWP and utilises the DWP's 'landlord portal' to maintain visibility around UC payments. ▪ The internal audit programme includes assurance reviews of rent arrears management / Welfare Reform. ***'Significant' assurance 2018/19.*** **Rent Arrears and Income Internal Audit completed in 2021 – *'significant assurance with minor improvements'.*** ▪ The Finance Team undertake ***daily cash flow monitoring*** with ***quarterly review by the Board / Group Audit and Risk Committee.*** ▪ **Business Plans** are updated to reflect Government policy with ongoing **stress testing** for further reductions. ▪ Bad debt provision is reviewed through the annual budget setting process and reflected in the **Business Plan**. ▪ Customers who are able to seek employment are referred to the ***Employability Officer***. ▪ The housing management system (Orchard) includes capacity to: ▪ ***record UC related information and transactions;*** ▪ ***record UC direct payments (applicable from 8 weeks arrears); and*** ▪ ***utilise balance trends enabling the Group to profile its income collection.*** ▪ The **Income App *enables real time data capture*** in the field. This reduces preparation time and increases engagement time with customers. ▪ Rent increases have been managed ***by lifting the charges directly in Orchard therefore reducing the risk of manual error***. Due to a more concise process the risk of new tenancies, voids and terminations being missed is also reduced.

Strategic Report (continued)
Corporate risks (continued)

Risk	Current controls and sources of assurance
Supply chains, materials and resource uncertainties arising from political uncertainty Uncertainties include: ▪ Currency fluctuations impact adversely on the supply chain with increases in the cost of goods and services and difficulties in obtaining products. ▪ A UK skills shortage in construction and social care / support could increase development and maintenance costs. ▪ Materials and labour shortages could delay repairs and increase rent loss on void repairs. ▪ Reduced credit rating / access to affordable debt. ▪ Lack of consumer confidence resulting in a slowing housing market, revisions to housing policy and reduced access to external funding and ineffective delivery of the Development programme. ▪ Corporate Plan and Business Plan ineffective delivery and subsequent exposure to regulator. ▪ 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 Shared Ownership mortgage payments.	▪ The Group Directors and co-executive team monitor ***supply chain exposure.*** Key developments are also reported to the Board and Group Audit and 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. Risks regarding Development supply Chains have been highlighted to the Asset Investment Group. ▪ Materials used in elemental works planned maintenance are provided by the Group through its **materials supply chain**. Travis Perkins (TP) equates to >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 c. 20% of its materials / 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 / 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 / sales prices fall, and where the parameters will not be met, **Group Directors and the Asset Investment Committee** will be monitor these schemes. If required, the Board will also review the **Development strategy**. Existing Development controls include reporting of ***performance measures*** to AIC and ***financials*** to Board. ▪ The Group ***continues to monitor social housing demand.*** ▪ Stress testing of **Business Plans** has included modelling the impact of adverse Brexit conditions. ▪ ***Stress Testing workshop*** undertaken by Board in November 2021 ***with external support*** – **summary report received by Board** in January 2022. ▪ ***Development scheme risk assessments in place that include ongoing credit reference check for contractors.*** ▪ As a result of the conflict in Ukraine, the following areas have been reviewed to understand their impact on the Group. This has included reviewing: ▪ ***Whether the Group has any contracts with suppliers sourcing goods/services from Russia.*** ▪ ***Whether any of the Group's investors are Russian.*** ▪ ***If the Group has any data held in or processed through Russia.*** ▪ ***Whether there is a risk to any materials or supplies that come through Ukraine.*** ▪ ***Considering whether any staff affected such as those that have family in affected areas.***

Strategic Report (continued)
Corporate risks (continued)

Risk	Current controls and sources of assurance
Information governance Failure to have in place robust information governance arrangements. Leading to the inability to efficiently access/use data and information, compromises of information, non-compliance with our legal and regulatory obligations. These include: GDPR and Data Protection Act 2018. PCI DSS. CCTV Code of Practice 2020. Cyber Essentials+. Resulting in regulatory interest inefficient processes, data quality issues and working arrangements, financial penalty, reputational damage and business interruption.	▪ The Group has in place a ***Lead Data Protection Officer*** to ensure the continued compliance of GDPR across the Group and an ***Information Governance Coordinator*** and an ***Information and Security Manger*** to lead in the development appropriate information and security data management. ▪ All staff receive mandatory ***GDPR awareness training*** as part of their induction and every 2 years during their employment. ▪ ***Data quality training*** in place for team members who have a high degree of exposure to personal and sensitive data and information. ▪ ***Data Protection Impact Assessments (DPIA)*** are carried out for all new/amended systems or processes with high privacy risks. ▪ The Group works with external solicitors and advisors who provide ***legal advice*** and support. ▪ ***GDPR risk and progress updates*** are reported quarterly to Co-Executive, and 6-monthly to Group Audit and Risk Committee and the Board. ▪ The Group's Information Governance Forum meet regularly to discuss relevant risks and controls around information and data. ▪ **Project Halo** – aimed at improving the confidence in both the quality of the Group's data and how it is governed and secured. ***Halo update to Audit and Risk Committee in November 2022 and Board March 2023.*** ▪ **Data Protection internal audit completed in October 2022 – *'significant assurance with minor improvements'.*** ▪ Work is underway to develop **'FLEGAL plus'** (including issues of damp, mould and condensation) and more ***detailed reporting on fire risk assessments*** as a result increasing focus on consumer regulation and focus from the Housing Ombudsman.
Economic climate The macro and micro economic climate may increase pressure on the Group's existing services. This could result in an increase in 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 and Risk Committee monitor a range of key ***economic metrics*** quarterly (see Risk Update). ▪ ***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 with no dependency on sales income to meet loan covenants and business plan assumptions. ▪ ***Quarterly stress testing of Business Plans*** assess the impact of adverse economic conditions on loan covenants / ongoing viability. ▪ **Contractor financial resilience is assessed for all new suppliers**. ▪ Drawn down agreed loan facilities to maximise our liquidity. Board approved bringing forward issue of £50m retained Bond. ▪ **Budget and Business Plan** including a stress testing resilience plan was approved by Board 29/03/2023. ▪ Procurement have been working with lead officers to **identify critical contractors and fall back plans have been developed** to ensure the Group's supply chain is resilient. ▪ ***Stress Testing workshop*** undertaken by Board in November 2021 ***with external support*** – **summary report received by Board** in January 2022. ▪ ***Stress Testing Resilience Plan*** – report to Board in May 2023.

Strategic Report (continued)
Corporate risks (continued)

Risk	Current controls and sources of assurance
Government policy Government policy has an adverse impact on the companies' operations and / or finances. This includes an inability to access future government funding. Resulting in the inability to deliver the Group's strategic objectives detailed in the new Corporate Plan.	▪ The Co-executive monitor developments in Government policy, including bidding rounds and Chancellor Statements and report key developments / actions to the Board and Group Directors for example VRtB. ▪ 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 / Group Audit and Risk Committee on actual and expected policy changes including mitigating actions. ▪ Internal audit of budget setting and approval processes – General Ledger and Budgetary Control internal audit 2021/22– 'substantial assurance'. ▪ 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 continues to progress. This incorporates the Government's expectation of utilising 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 via the NHF. Board, Exec and Co-exec paper (January 2021) – detailing the Group's readiness. This was followed by a specific session with Insight Committee (April 2021) to give assurance that FHG met the principals set out. Co-Exec facilitated session (May 2021) outlining key consideration for areas in the Group and actions required. Four further sessions with Insight Committee (May – August 2021) to formulate a customer led Action Plan to meet the elements set out in the paper. Joint Board and Insight Committee away day (October 2021) that led to further recommendations and the Asset Investment Committee noted the Group's response to the Planning for the Future White Paper at their meeting (October 2022), prior to submission. An Action Plan was then proposed to Insight Committee (January 2022) and work is now taking place against the plan. ▪ Futures responded to the consultation of the Tenant Satisfaction Measures following internal consultation with customers (My Voice), co-executive and our customer survey provider IFF. Futures already reports on the vast majority of measures proposed and adjustments were made to enable reporting to commence from 01/04/2023.

Strategic Report (continued)

Risk	Current controls and sources of assurance
Resource planning Inappropriate planning of staff resources required to meet the strategic direction of the Group, along with not identifying the resources and skills needed to run departments and projects. Leading to service failure / complaints / and the 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 via 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). ▪ The annual budget setting process 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. 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 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 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 on forecasted resources. Board approved the 2023-24 budget at their meeting on 29/03/2023. ▪ The Group were awarded IiP platinum in June 2021. ▪ Internal audit of HR and Recruitment – 'significant assurance with minor improvements'.

Strategic Report (continued)

Risk	Current controls and sources of assurance
Failure to achieve environmental and sustainability targets and aspirations through the alignment of Development, Asset Management and Asset Maximisation activities and resources Leading to: ▪ Non-compliance with regulatory targets. ▪ The inability to maximise funding opportunities through ESG reporting. ▪ The inability to maximise grant funding due to resource and inaccurate asset data. ▪ Tensions between appetite to develop over maximising assets. ▪ Inaccurate short and long term financial forecasting and business plan stress testing. Resulting in: ▪ Regulatory oversight and censure. ▪ Increased borrowing costs and the inability to secure future, additional borrowing and resourcing C. ▪ Capacity issues within the business creating increased risk of Corporate Plan failure. ▪ Negative impact on other business activities.	**Development** 3-tiered approach: ▪ Land only – we can build to new 2025 building regs. ▪ Package deals – we can influence developers. ▪ S106 (50% of our new houses) – we accept what we are given. **Assets** ▪ Targeting EPC 'c' 2030: Savills undertaking review of FHG asset data and will set out options for the Group to be able to achieve EPC 'c' by 2030, and net zero carbon by 2050. ▪ Development of disposal programme for poor performing properties and consideration of alternative tenancies such as shared ownership to assist in raising capital. **Asset Maximisation** ▪ Review of Asset Maximisation resources and capacity within the Group underway. ▪ ***Internal audit of Asset Maximisation 'advisory' report considered by the Audit and Risk Committee in April 2023.*** **Customers and Culture** ▪ Money Advice Service. ▪ Employability Service. ▪ Tenancy Sustainability – merged with Income Services. ▪ The Group's ***Sustainability Strategy*** was approved by the Board on 02/04/2022. The delivery of this strategy is overseen by the **Sustainability Strategy Steering Group.** ▪ The Group's first ***environment, social and governance (ESG) report*** formed part of the Group's **Annual Report for 2021/22** and the **2022-25 Sustainability Strategy.** The development of next report for 2022-23 is underway. ▪ On 31/10/2022 the Group became an adopter of the ***Sustainability Reporting Standard*** for Social Housing.

Strategic Report (continued)

Risk	Current controls and sources of assurance
Development Failure to ensure developments are scrutinised before, during and after approval to ensure the robust management of development deliverables. Leading to poor development scheme project management, increased costs, increased programme timescales and reduced quality. Resulting in poor customer satisfaction, reputational damage, lack of value for money, strategic budgetary issues and regulatory interest.	• Asset Investment Committee (AIC) responsible for assisting the Board in fulfilling its development responsibilities and shall monitor the performance of such activities across the Group, including approving investment and divestment opportunities, considering and approving Development Scheme proposals, development programme monitoring and risk management and asset management. • Development controls in place including scheme of delegation, scheme risk assessments and development scheme reporting to AIC. • 3-tiered approach: Land only – we can build to new 2025 building regs. Package deals – we can influence developers. S106 (50% of our new houses) – we accept what we are given. • Development Team in place ***with appropriate skills and experience*** with **Development Procedure manual** in place. • Development Managers Team Meeting in place which provides a ***forum for scheme issues to be raised and discussed.*** • Development Improvement Group is in operation, supported by the Transformation Team to manage legacy issues.

Strategic Report (continued)

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 continued investment in existing stock, 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 £270m 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 2023, FFL had £38.5m undrawn facility (2022: £38.5m). FTP has fully drawn its facility.

In August 2022, 5D repaid its loan facility with Lloyds Bank as it was not required in the medium term. This repayment provided overall savings of c. £120k (NPV). Work is underway to allow 5D to lend its surplus cash to FHL and FHW to further the charitable aims of the Group.

The total available liquidity of the Group as of 31 March 2023 is £136.1m (£97.6m cash and investments plus undrawn facility of £38.5m). The Group's Treasury Management Policy states that the Group should manage its liquidity risk, (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 3 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, with fixed debt currently over 90%. As further funding is secured, 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 2,906 unencumbered properties available to secure new debt as required.

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.

Strategic Report (continued)

Key estimates and judgements

The significant judgements and estimates made by the Group in preparing the financial statements are set out in the notes to the financial statements. There were no significant changes to key estimates, an additional judgement has been made in the current year relating to the recognition of the defined benefit net surplus, details of this can be found in note 3.

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.

Events after the end of the reporting period

We consider that there are no events since the financial year-end that have a significant effect on the financial position of the Group.

Health & safety and environmental policy

The Board is aware of its responsibilities on all matters relating to health and safety. Taking into account the needs of its customers and society at large, FHG will aim to eliminate or reduce to a level as low as reasonably practicable, the health, safety and environmental impacts of its activities; protect the environment and prevent pollution by utilising a structured risk management approach and the implementation of sustainable procurement practices, targeted carbon emission reduction and a reduction of waste to landfill.

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 Limited 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 2022-23 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. Below are 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:
   - determining the corporate priorities for 2023-24;
   - approval of the 2023-24 budget, business plans and stress tests to enable delivery of the corporate priorities whilst maintaining sufficient headroom to allow the Group to withstand a multitude of economic pressures;
   - taking advantage of the favourable economic conditions to repay loans that were not required in the short term in order to reduce the interest payable and thus improving compliance with the lenders covenant;
   - successfully requested carve outs for costs related to fire compartmentation and improving the EPC rating of properties in order to accelerate the sustainability strategy;
   - agreed to reduce the development programme to five years in order to reduce the risk to the business plan due to the 2023-24 rent cap imposed by the Government, and;
   - ceased partnership discussions with bpha and Flagship due to adverse economic conditions creating undue risk to FHG.

ii) Interests of the Group's employees are protected in several ways 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 through 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 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 strong performance when benchmarked with others. Additional surveys have been undertaken through the pandemic and staff indicated that they were finding later lockdowns 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 wider management team meetings.

Section 172 statement (continued)

Key decisions in this area during the year include:

- agreed a new set of organisations values (FACTS) to embed these values throughout FHG;
- salary increase of 6% for all staff plus a one off bonus for lower paid staff;
- approval of salary sacrifice car benefit and pension schemes to help staff save money during the current cost of living crisis; and
- continued investment in health and wellbeing initiatives for staff to ensure retention of the Investors in People Platinum standard.

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 a variety of consortium available to the Group before each procurement to ensure FHG are accessing and maintaining efficiency in procurement practices;
- reappointment of contractors who have been successfully delivering, where compliant under PCR 2015 and where VFM can be demonstrated through benchmarking; and
- close relationship with development contractors through regular meetings and site visits with them directly and through the Employers Agents with a suite of early warning triggers to highlight any potential risks.

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 environmental 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 additional customer facing roles within assets and neighbourhoods to improve the service provided to customers and in line with the Better Housing Review;
- responding to the Regulator of Social Housing regarding their Damp, Mould & Condensation information request and continued scrutiny of health and safety by the Board and Asset Investment Committee with trigger limits for intervention;
- continued investment into new development programmes to increase housing supply with a view to enhancing the quality of homes delivered to comply with the Future Homes Standard; and
- continued funding for employability initiatives and delivery of apprenticeships.

Strategic Report (continued)

Section 172 statement (continued)

v) The Group strives to maintain a reputation for high standards of business conduct. The Group carries 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 assesses compliance with the National Housing Federation's Code of Governance and with all relevant law annually. The Group also has 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 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;
- Board skills, competencies, risk appetite and guiding principles were reviewed and approved; and
- new Board members recruited and recruited with an emphasis on EDI to maintain the diversity of opinions.

vi) 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.

vii) As well as complying with the SECR regulations, the Group has enhanced its approach to ESG reporting by adopting the Sustainability Reporting Standard for Social Housing. The Board approved FHG's Sustainability Strategy and roadmap to net carbon zero.

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 24 July 2023 and signed on its behalf by:

Michael Stevenson
Chair of the Board

Report of the board

Board members and executive directors

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

The Group's executive directors are the Chief Executive, the Group Director of Finance & Resources, the Group Director of Business Change & Strategy 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 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 people

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 people 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 Limited made £2.1k in charitable donations during in the year (2022: £1.8k). 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 during 2022-23 no more that £7.5m can be held on deposit with a single counterparty and that a minimum of 50% of of financial instruments should be instantly accessible should this be required in an emergency. Treasury performance is reported quarterly to the Group Audit and Risk committee, including analysis on the credit rating of counterparties and the forward looking funding profile. As at the 31 March 2023, 96% 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. (Note the clearing bank does not have a £7.5m limit in the treasury policy as it is linked to the current account and higher funds are required for development expenditure).

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 day to day operations. The Group also has a long term business plan which shows that it is able to service these debt facilities whilst continuing to comply with lenders' covenants.

The Board is satisfied that the stress testing, which includes single variant stress testing, multi-variant stress testing and determination of tolerance levels alongside mitigating actions, demonstrates sufficient financial strength to conclude that the Group is a going concern. In reaching this decision, the Board has noted that the new business plans meet the key rules for effective financial management, are not reliant on sales income to meet loan covenants and can tolerate sufficient cost pressures/income without creating a covenant breach or needing to secure extra funding over the period under review, ending March 2025.

The Board is comfortable that the stress testing mitigation plan contains sufficient mitigation strategies to ensure the viability of the Group whilst minimising any adverse impact for customers. 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 sufficient immediate cash savings.

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

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 2022 up to the date of approval of the annual report and financial statements.

The Board and 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.
- 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).
- Detailed policies and procedures in each area of the Group's work.

Report of the board (continued)

Internal controls assurance (continued)

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. The Board concluded that the Group has maintained an effective system of Internal Control for the year ending 31 March 2022.

NHF Code of Governance

The Group has adopted and complies with the NHF Code 2022 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 within scope 1, 48% of FHG carbon emissions comes from its vehicle operations.

The comparison between SECR year 1 (2021-22) and SECR year 2 (2022-23) shows a slight decrease in scope 1 and 2 emissions.

During the year, FHG installed external wall insulation on 113 properties, cavity wall insulation on 4 properties, draughtproofing in 61 properties and upgraded the loft insulation in 63 properties. It also completed 78 Solar PV, 26 LED lighting and 25 Switchee thermomstat installations. These energy efficiency programmes were partially funded by the Social Housing Decarbonisation Fund and the Local Authority Delivery grants. These have seen 185 of the more inefficient homes achieve EPC Band C or above.

In addition FHG completed 361 external door upgrades, 325 window upgrades and 1,499 heating upgrades as part of the component replacement programme.

Report of the board (continued)

Carbon Emissions Table

GHG emissions and energy use data for SECR Year 2 period 1st April 2022 to 31st March 2023 compared against previous SECR year 1 (2021/22)

Emission source:	Units	SECR year 2 2022-2023	SECR year 1 2021-2022	Movement (% diff. to year 1)	Guide note
Energy consumption for which the organisation is responsible used to calculate emissions:					
Scope 1					
Natural gas used	kWh	1,383,797	1,853,202	34%	1
Vehicle operations	litres	162,994	119,697	-27%	2
Biomass boiler	kWh	287,926	352,661	22%	3
Scope 2					
Electricity (supplied from National Grid)	kWh	869,795	1,853,202	113%	4
Corresponding emissions from activities for which the company is responsible -					
Scope 1					
Natural gas	tCO2e	253	339	34%	5
Vehicle operations	tCO2e	393	304	-23%	6
Biomass boiler	tCO2e	3	5	63%	7
Scope 2					
Electricity (supplied from National Grid)	tCO2e	168	247	47%	8
Total gross Scope 1 & Scope 2 emissions	tCO2e	**817**	**895**	10%	9
Emissions intensity ratio					
Annual turnover (corresponding reporting year)		£59,389,000	£ 59,687,000	1%	10
Intensity ratio: tCO2e (gross Scope 1 + 2) / £100,000 revenue	tCO2e/£100,000	**1.38**	**1.57**	14%	11
Energy consumption for which the organisation has no direct operational control:					
Scope 3					
Emissions from purchase of electricity T&D losses	tCO2e	15	22	42%	12
Emissions from leased assets	tCO2e	27,381	27,793	2%	13
Emissions from vehicles (not owned or controlled by organisation)	tCO2e	108	76	-30%	14
Total gross Scope 3 emissions	**tCO2e**	**27,504**	**27,891**	1%	15
Total gross Scope 1, Scope 2 & Scope 3 emissions	**tCO2e**	**28,321**	**28,786**	2%	16
Carbon offsets / tCO2e	**tCO2e**	0	0		17
Total annual net emissions reported tCO2e	**tCO2e**	28,321	28,786	2%	18

Report of the board (continued)

ESG (environmental, social, governance) (continued)

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. The increase in fuel consumption is due to an expanded van fleet as more repairs are completed internally.
3. Biomass boiler = fuel used by the biomass boiler situated at Stephenson Court
4. Scope 2 electricity = kWh electricity from the National Grid used to deliver service and carry out business.
5. Scope 1 natural gas carbon emissions based on kWh energy used (item 1).
6. Scope 1 vehicle carbon emissions based on vehicle fuel used (item 2). A late adjustment found this figure had been inflated within the 2021-22 accounts but is now correct within this updated table.
7. Scope 1 biomass boiler emissions based on kWh energy used (item 3).
8. Scope 2 electricity carbon emission based on kWh energy used(item 4).
9. Total scope 1 and 2 emissions).
10. Annual financial turn-over corresponding to reporting year.
11. 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.
12. Scope 3 electricity carbon emission.
13. Emissions from leased assets, franchises and outsourced activities.
14. Scope 3 vehicle carbon emissions based on vehicle fuel used.
15. Total scope 3 emissions.
16. Total all scope emissions.
17. Carbon off-sets that have been formally verified.
18. Resultant total carbon emissions reported.

As well as complying with the SECR regulations, the Group has enhanced its approach to ESG reporting by 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 (Regulation) Bill expectations, Future Homes Standard and Energy White Paper.

The Group has developed a Sustainability Strategy and is embedding this throughout the organisation. This roadmap takes 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.

Report of the board (continued)

ESG (environmental, social, governance) (continued)

For existing homes, the average SAP of properties (currently 70%) 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 used 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 roadmap sets 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 2022-23 business plan has included a new funding allocation for sustainability works of £24m to get to EPC C by 2030 and £100m to put towards becoming carbon neutral by 2050. All new builds are at least EPC B or above.

For the supply chain, the Group has an enhanced procurement approach which builds in ESG metrics to the tender process. This allows the Group to ensure that it can measure the wider impact of contractors and suppliers on delivery of ESG objectives.

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. Training is being rolled out to employees within the business.

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.

Report of the board (continued)

Statement of the responsibilities of the Board

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 2022)*. 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 confirms 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 members have taken all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the 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 15 September 2022.

The report of the Board was approved by the Board on 24 July 2023 and signed on its behalf by:

Michael Stevenson (Chair)

Independent auditor's report to the 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 Company's affairs as at 31 March 2023 and of the Group's and the Company's surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the requirements of the Companies Act 2006, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2022.

We have audited the financial statements of Futures Housing Group Limited ("the Company") and its subsidiaries ("the Group") for the year ended 31 March 2023, which comprise the consolidated and Company statement of comprehensive income, the consolidated and company statement of changes in reserves, the consolidated and Company statement of financial position, the consolidated statement of cash flows 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 Group Audit & Risk Committee.

Independence

Following the recommendation of the Group Audit & Risk Committee, we were appointed by the 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 5 years, covering the years ended 31 March 2019 to 31 March 2023.

We remain independent of the Group and the Parent Company 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 listed 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 Company.

Independent auditor's report to the members of Futures Housing Group Limited (continued)

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 Company's ability to continue to adopt the going concern basis of accounting included:

- We obtained management's assessment that supports the Director's conclusions with respect to the disclosures provided around going concern;
- We considered the appropriateness of management's forecasts by reviewing and assessing assumptions applied by management, assessing historical forecasting accuracy and considered the reasonableness of the range of scenarios included in management's consideration of downside sensitivity analysis;
- We challenged management on the suitability of the mitigating actions identified in their assessment and the quantum and period ascribed to these mitigating actions;
- We obtained an understanding of the financing facilities from the finance agreements, including the nature of the facilities, covenants and attached conditions;
- We assessed the facility and covenant headroom calculations;
- We reviewed 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 Group and the Parent 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

Coverage	*100% (2022: 100%) of Group surplus before tax* *100% (2022: 100%) of Group revenue* *100% (2022: 100%) of Group total assets*
Key audit matters	<table><tr><td></td><td>2023</td><td>2022</td></tr><tr><td>The recoverable amount of property developed for sale</td><td>✓</td><td>✓</td></tr></table>
Materiality	*Group financial statements as a whole* £1,150,000 (2022: £1,050,000) based on 6.75% (2022: 6.75%) of *adjusted operating surplus*

Independent auditor's report to the members of Futures Housing Group Limited (continued)

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.

Audit work on all components was performed by BDO UK, both for the purposes of reporting on the individual financial statements and for group/consolidation purposes. The significant components for group purposes were the parent entity, Futures Homescape Limited, Futures Homeway Limited, Futures Finance Limited, Futures Treasury PLC and Five Doorways Limited based on their size or risk characteristics.

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**
The recoverable amount of property developed for sale This relates to items included in note 18 of the financial statements. This area also represents a key judgement made by management, as described on page 66.	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 £6.95m. For completed properties at the balance sheet date an assessment is needed of the expected selling price. For properties in development at the balance sheet date, an assessment is needed of both the expected selling price and costs to complete and sell. Due to the volume of properties developed for sale and the level of judgement there is inherent estimation uncertainty for both sales proceeds and costs to complete. We considered there is a significant risk that the carrying amount of properties developed for sale is misstated. We therefore considered this to be a key audit matter.	For the properties developed for sale (both completed and work in progress) we performed the following procedures: For forecast sales price: • Completed units sold after the year end agreed to completion statement • Completed units not sold after year end and work in progress we obtained third party formal valuation of the property and sales prices achieved for similar units in the year. Enquired and considered what management plans are for unsold properties. We considered the length of time the properties have remained unsold. We also considered whether the work in progress has been marketed 'off plan' and whether this suggests any issues with demand. 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 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:** We noted no material exceptions through performing these procedures.

Independent auditor's report to the members of Futures Housing Group Limited (continued)

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 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 company financial statements**	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Materiality	1,150	1,050	£231	210
Basis for determining materiality	6.75% of adjusted operating surplus	6.75% of adjusted operating surplus	1.35% of income	1.35% of income
Performance materiality	805	735	162	147
Basis for determining performance materiality	70% of materiality	70% of materiality	70% of materiality	70% of materiality

Rationale for the benchmark applied

The benchmark used for determining materiality is adjusted operating surplus. Operating surplus was adjusted for depreciation, grant amortisation, gift aid received, capital fire compartmentalisation works, decarbonisation costs and capitalised major repairs.

We have used this benchmark as we considered items affecting the adjusted operating surplus to be the area of financial statements with the greatest interest to the principal users and the area with the greatest impact on investor and lender decisions.

The benchmark used for determining Parent Company materiality is income. We have used this benchmark as the Company provides management services to other group entities and as such income is of the greatest interest to the principal users.

We have determined that 70% of materiality is an appropriate basis for performance materiality based on our previous experience of the audit and factors such as the low levels of misstatements previously identified partially offset by the number areas of the financial statements subject to significant estimation uncertainty.

Component materiality

For the purposes of our Group audit opinion, we set materiality for each significant component of the Group, based on a percentage of between 2% and 96% (2022: 2% 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 £28,000 to £1,100,000 (2022: £23,000 to £1,000,000). In the audit of each component, we further applied performance materiality levels of 70% (2022: 70%) of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Independent auditor's report to the members of Futures Housing Group Limited (continued)

Reporting threshold

We agreed with the Group Audit & Risk Committee that we would report to them all individual audit differences in excess of £23,000 (2022: £21,000). 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 annual report and financial statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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 (Report of the board) 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 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 Company, or returns adequate for our audit have not been received from branches not visited by us; or • the Company financial statements and the part of the Directors' remuneration report to be audited 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.

Independent auditor's report to the members of Futures Housing Group Limited (continued)

Responsibilities of the Board

As explained more fully in the statement of responsibilities of the Board, 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 Company'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 Company 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:

Non-compliance with laws and regulations

Based on:

- our understanding of the Group and the industry in which it operates;
- discussion with management and those charged with governance; and
- obtaining and understanding of the Group's policies and procedures regarding compliance with laws and regulations,

We considered the significant laws and regulations to be the Companies Act 2006, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2022.

The Group is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations. We identified such laws and regulations to be employment law, Financial Conduct Authority ("FCA") regulations, the Regulator of Social Housing's Regulatory Standards, data protection, taxation and health and safety legislation.

Our procedures in respect of the above included:

- Review of minutes of meeting of those charged with governance for any instances of non-compliance with laws and regulations;
- Review of correspondence with regulatory and tax authorities for any instances of non-compliance with laws and regulations;
- Review of financial statement disclosures and agreeing to supporting documentation; and
- Review of legal expenditure accounts to understand the nature of expenditure incurred.

Independent auditor's report to the members of Futures Housing Group Limited (continued)

Fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Enquiry with management and those charged with governance regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Group's policies and procedures relating to:
    - Detecting and responding to the risks of fraud; and
    - Internal controls established to mitigate risks related to fraud.
- Review of minutes of meeting of those charged with governance and internal audit reports for any known or suspected instances of fraud;
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements; and
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud.

Based on our risk assessment, we considered the most susceptible areas of the accounting records, where management override could take place, are the posting of journals and the judgements involved in accounting estimates within the financial statements.

Our procedures in respect of the above included:

- A review and verification of large and unusual journal entries made in the year, agreeing the journals to supporting documentation. We determined key risk characteristics to filter the population of journals
- A critical review of the consolidation and, in particular, manual or late journals posted at consolidated level
- A review of estimates and judgements applied by Management in the financial statements to assess their appropriateness and the existence of any systematic bias
- A review of unadjusted audit differences for indications of bias or deliberate misstatement

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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 is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Independent auditor's report to the members of Futures Housing Group Limited (continued)

Use of our report

This report is made solely to the members of the Company, as a body, in accordance with the Housing and Regeneration Act 2008 and the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:
Kyla Bellingall
A11A16013DD84AC...
Kyla Bellingall (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Birmingham, UK
02 August 2023

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

Statement of Comprehensive Income for the year ended 31 March 2023

	Note	2023 £'000	2022 £'000
Turnover: continuing activities	4	59,389	59,687
Cost of sales	4	(3,289)	(5,453)
Operating costs	4	(41,096)	(37,106)
Revaluation of investment properties	15	684	2,368
Surplus on sale of housing properties	6	1,642	1,494
Surplus on sale of other fixed assets		19	44
Operating surplus	5	**17,349**	**21,034**
Interest receivable and other income	8	1,735	70
Interest payable and similar charges	9	(11,873)	(10,248)
Other finance costs	10	(228)	(318)
Surplus before taxation		**6,983**	**10,538**
Taxation	12	(82)	455
Surplus for the year		**6,901**	**10,993**
Actuarial gain relating to the pension scheme	10	8,687	7,989
Total comprehensive income for the year		**15,588**	**18,982**

The notes on pages 57 to 102 form part of these financial statements.

Statement of Comprehensive Income for the year ended 31 March 2023

	Note	2023 £'000	2022 £'000
Turnover: continuing activities	4	17,189	15,748
Operating costs	4	(17,173)	(15,676)
Operating surplus: continuing activities	5	**16**	**72**
Interest receivable and other income	8	2	-
Interest payable and similar charges	9	(18)	(18)
Surplus on ordinary activities before taxation		**-**	**54**
Tax on surplus on ordinary activities	12	(82)	105
Surplus for the financial year		**(82)**	**159**

The notes on pages 57 to 102 form part of these financial statements.

Consolidated and company statement of changes in reserves

For the year ended 31 March 2023

	Group 2023 £'000	Group 2022 £'000	Company 2023 £'000	Company 2022 £'000
Balance as at 31 March	70,073	51,091	110	(49)
Surplus / (Deficit) for the year	6,901	10,993	(82)	159
Actuarial Gain (note 10)	8,687	7,989	-	-
Balance as at 31 March	**85,661**	**70,073**	**28**	**110**

The notes on pages 57 to 102 form part of these financial statements.

Consolidated statement of financial position

As at 31 March 2023

	Note	2023 £'000	2022 £'000
Tangible fixed assets			
Housing properties	13	320,103	291,352
Other tangible fixed assets	14	7,625	8,066
Investment properties	15	44,853	43,547
Investment in joint venture	16	151	151
Investment		10	10
		372,742	343,126
Current assets			
Stock	17	264	302
Properties held for sale	18	6,945	4,871
Debtors	19	10,198	3,523
Short term investment		17,000	10,500
Cash and cash equivalents		80,595	131,509
		115,002	150,705
Creditors: Amounts falling due within one year	20	(32,471)	(18,732)
Net current assets		82,531	131,973
Total assets less current liabilities		455,273	475,099
Creditors: Amounts falling due after more than one year	21	(369,612)	(396,684)
Net pension liability	10	-	(8,342)
Total net assets		**85,661**	**70,073**
Capital and reserves			
Revenue reserve		85,661	70,073
Total reserves		**85,661**	**70,073**

The notes on pages 57 to 102 form part of these financial statements.

These financial statements were approved and authorised for issue by the Board on the 24 July 2023 and signed on its behalf by:

Michael Stevenson
(Chair)

Raymond Harding
(Board member)
Company registration number: 06293737

Futures Housing Group Limited
Year ended 31 March 2023

Company statement of financial position

As at 31 March 2023

	Note	2023 £'000	2022 £'000
Tangible fixed assets			
Other tangible fixed assets	14	1,364	1,516
Investment in joint venture	16	151	151
Investment		60	59
		1,575	1,726
Current assets			
Debtors	19	1,939	951
Cash at bank and in hand		365	902
		2,304	1,853
Creditors: Amounts falling due within one year	20	(3,851)	(3,469)
Net current liabilities		(1,547)	(1,616)
Total assets less current liabilities		**28**	**110**
Capital and reserves (non-equity)			
Revenue reserve		28	110
Total reserves		**28**	**110**

The notes on pages 57 to 102 form part of these financial statements.

These financial statements were approved and authorised for issue by the Board on the 24 July 2023 and signed on its behalf by:

Michael Stevenson
(Chair)

Raymond Harding
(Board member)
Company registration number: 06293737

Consolidated statement of cash flows

For the year ended 31 March 2023

	Note	2023 £'000	2022 £'000
Net cash generated from operating activities	27	21,366	28,226
Cash flow from investing activities			
Purchase of tangible fixed assets		(38,489)	(36,185)
Proceeds from sale of tangible fixed assets		2,852	2,148
Short term investment		(6,500)	7,500
Grants received		1,070	1,035
Interest received		1,492	27
		(39,575)	(25,475)
Cash flow from financing activity			
Interest paid		(12,869)	(11,738)
New loans		-	82,818
Loan arrangement fees		-	(557)
Repayment of borrowings		(19,835)	(63)
		(32,704)	70,460
(Decrease)/Increase in cash		(50,913)	73,211
Cash and cash equivalents at beginning of the year		131,509	58,298
Cash and cash equivalents at end of the year		80,596	131,509

The notes on pages 57 to 102 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 Futures House, Building 435 Argosy Road, East Midlands Airport, Castle Donington, Derbyshire, DE74 2SA.

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 2022*.

Going concern

The financial statements have been prepared on a going concern basis. The Board has reviewed a number of key areas to determine that the Group is a going concern, as set out below:

- Multi-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 2025, without the need to secure any further funding than what is already in place and secured.
- The Board is satisfied that the stress testing, which includes single variant stress testing, multi-variant stress testing and determination of tolerance levels alongside mitigating actions, demonstrates sufficient financial strength to conclude that the Group is a going concern. In reaching this decision, the Board has noted that the new business plans meet the key rules for effective financial management, are not reliant on sales income to meet loan covenants and can tolerate sufficient cost pressures/income without creating a covenant breach or needing to secure extra funding over the period under review, ending March 2025. The Board is comfortable that the stress testing mitigation plan contains sufficient mitigation strategies to ensure the viability of the Group whilst minimising any adverse impact for customers.
- 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 sufficient immediate cash savings.
- 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 unused secured and in place loan facilities.

2. Accounting policies (continued)
Going concern (continued)

- 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 2025 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 significant amounts before cash turns negative.

- For the reasons mentioned above, the Board considers that FHG is a going concern. While risks exist, these do not cast doubt on FHG'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.

Basis of consolidation

The Group accounts consolidate the accounts of the company and all of its subsidiaries at 31 March 2023 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.

Rental and service charge income is recognised from the date that the property becomes available for letting. Revenue grants are receivable when the conditions for receipt of agreed grant funding have been met. Income from shared ownership and other sales is recognised at the point of legal completion of the sale. Other income is recognised on delivery of the services provided at the invoiced value (excluding VAT).

Notes to the financial statements (continued)

2. Accounting policies (continued)

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; and
• 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.

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.

Notes to the financial statements (continued)

2. Accounting policies (continued)

Interest payable

Interest payable is charged to the statement of comprehensive income in the year. No interest payable is capitalised.

Interest Recievable

Interest recievable is credited 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 in partnership by West Northamptonshire County Council and Cambridgeshire 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 and income. Actuarial gains and losses are reported in other 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.

Notes to the financial statements (continued)

2. Accounting policies (continued)

Housing properties (continued)

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.

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

	Life in years
Structure	100
Roof	50
Fascia	30
Soffit	30
Windows	30
Kitchen	20
Bathroom	30
Doors	30
Biomass system	20
Heating distribution system	25
Boiler	12
Damp proofing	25
Electrical rewires	30
External wall insulation	30
Fire safety measures	50

Internal wall insulation is depreciated over the remaining life of the structure.

Notes to the financial statements (continued)

2. Accounting policies (continued)

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

Housing properties are assessed annually for impairment triggers. Where triggers are identified an assessment for impairment is undertaken comparing the cash generating unit's (CGU) carrying amount to its recoverable amount. Where the carrying amount of an CGU 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. CGUs is normally a group of properties at a scheme level. 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.

Notes to the financial statements (continued)

2. Accounting policies (continued)

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:

	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.

Notes to the financial statements (continued)

2. Accounting policies (continued)

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%

Notes to the financial statements (continued)

2. Accounting policies (continued)

Creditors

Short term trade creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at cost, 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 in excess of three months.

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 trigger 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.

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 2023, there was a total of eight unsold homes. Of these, no property exceeded six months old as at the year end. In addition, three had been sold in April and 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, it is considered that no impairment is required.

3. Significant judgements and estimates (continued)

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 FHG

Management believe that a constructive obligation exists in FHG 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 remains 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.

6) Recognition of defined benefit surplus

Management's estimate of the Defined Benefit Obligation ('DBO') is determined using actuarial valuations using a number of critical underlying assumptions such as standard rates of inflation, mortality, discount rate and anticipation of future salary increases. A review has been undertaken of the of the valuation report for 31 March 2023 which calculated a net surplus for both defined benefit schemes that the group participates in. Management has concluded that, in line with FRS102 and the accounting policy, as the Group does not have an unconditional right to recover the asset either in the form of reduced contributions or a refund, the surplus should be capped at nil.

Notes to the financial statements (continued)

3. Significant judgements and estimates (continued)

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 economic lives of assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date based on the expected utility of the assets. Uncertainties in these estimates relate to technological obsolescence that may change the utility of certain software and IT equipment and changes to decent homes standards which may require more frequent replacement of key components.

2) Investment property valuation

Investment properties are valued annually on 31 March at fair value, which is subject to uncertainty as these are affected by market conditions. The valuation is determined by an independent, professionally qualified valuation by Rupert David & Co Chartered Surveyors and were undertaken in accordance with the Royal Institution of Chartered Surveyors' guidelines.

3) Defined benefit obligation (DBO)

Management's estimate of the DBO is determined using actuarial valuations using a number of critical underlying assumptions such as standard rates of inflation, mortality, discount rate and anticipation of future salary increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty and variation in these assumptions may significantly impact the DBO amount and the annual defined benefit expenses (as analysed in Note 10).

Notes to the financial statements (continued)

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

Group - Continuing activities

For the year ended 31 March 2023	Turnover 2023 £'000	Cost of sales 2023 £'000	Operating costs 2023 £'000	Operating surplus 2023 £'000
Social housing lettings (see note 4b)	51,951	-	(38,221)	13,730
Other social housing activities				
Management and agency services	118	-	(83)	35
First tranche shared ownership sales	4,565	(3,279)	(1,166)	120
Other	6	-	(78)	(72)
	4,689	(3,279)	(1,327)	83
Non-social housing activities				
Charges for Support Services	685	-	(611)	74
Properties developed for outright sale	-	(10)	-	(10)
Market Rents	1,923	-	(899)	1,024
Other	141	-	(39)	102
	2,749	(10)	(1,549)	1,190
	59,389	**(3,289)**	**(41,096)**	**15,004**
Revaluation of investment properties				684
Surplus on sale of housing properties				1,642
Surplus on sale of other fixed assets				19
				17,349

Company	Turnover 2023 £'000	Cost of sales 2023 £'000	Operating costs 2023 £'000	Operating surplus 2023 £'000
Other social housing activities				
Management services	17,189	-	(17,173)	16

Notes to the financial statements (continued)

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

Group - Continuing activities

For the year ended 31 March 2022	Turnover 2022 £'000	Cost of sales 2022 £'000	Operating costs 2022 £'000	Operating surplus 2022 £'000
Social housing lettings (see note 4b)	49,707	-	(33,476)	16,231
Other social housing activities				
Management and agency services	206	-	(190)	16
First tranche shared ownership sales	4,852	(3,538)	(1,145)	169
Other	64	-	(219)	(155)
	5,122	(3,538)	(1,554)	30
Non-social housing activities				
Charges for Support Services	513	-	(651)	(138)
Sale of properties for outright sale	2,265	(1,915)	(16)	334
Market Rents	1,921	-	(1,341)	580
Other	159	-	(68)	91
	4,858	(1,915)	(2,076)	867
	59,687	**(5,453)**	**(37,106)**	**17,128**
Revaluation of investment properties				2,368
Surplus on sale of housing properties				1,494
Surplus on sale of other fixed assets				44
				21,034

Company	Turnover 2022 £'000	Cost of sales 2022 £'000	Operating costs 2022 £'000	Operating surplus 2022 £'000
Other social housing activities				
Management services	15,748	-	(15,676)	72

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

Group - Continuing activities

Group For the year ended 31 March 2023	General housing 2023 £'000	Sheltered housing 2023 £'000	Shared ownership 2023 £'000	Total 2023 £'000
Turnover from social housing lettings				
Rent receivable net of identifiable service charges	32,424	15,580	1,385	49,389
Service income	1,334	641	-	1,975
Amortisation of government grants	587	-	-	587
Turnover from Social housing lettings	**34,345**	**16,221**	**1,385**	**51,951**
Expenditure on social housing lettings				
Management	(8,219)	(4,590)	(721)	(13,530)
Services	(1,128)	(1,702)	-	(2,830)
Routine maintenance	(4,082)	(1,948)	-	(6,030)
Planned maintenance	(1,614)	(814)	-	(2,428)
Major repairs expenditure	(2,427)	(1,134)	-	(3,561)
Bad debts	(127)	(64)	-	(191)
Depreciation of housing properties	(4,175)	(1,993)	(272)	(6,440)
Depreciation of other fixed assets	(1,884)	(302)	-	(2,186)
Accelerated Depreciation	(311)	(146)	-	(457)
Other	(382)	(186)	-	(568)
Total expenditure on social housing lettings	**(24,349)**	**(12,879)**	**(993)**	**(38,221)**
Operating surplus on social housing lettings	**9,996**	**3,342**	**392**	**13,730**
Void losses	**(376)**	**(180)**	-	**(556)**

Notes to the financial statements (continued)

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

Group - Continuing activities

Group For the year ended 31 March 2022	General housing 2022 £'000	Sheltered housing 2022 £'000	Shared ownership 2022 £'000	Total 2022 £'000
Turnover from social housing lettings				
Rent receivable net of identifiable service charges	30,721	14,933	1,254	46,908
Service income	1,274	619	-	1,893
Amortisation of government grants	906	-	-	906
Turnover from social housing lettings	**32,901**	**15,552**	**1,254**	**49,707**
Expenditure on social housing lettings				
Management	(7,455)	(3,647)	(605)	(11,707)
Services	(1,161)	(1,370)	-	(2,531)
Routine maintenance	(3,456)	(1,670)	-	(5,126)
Planned maintenance	(2,253)	(1,169)	-	(3,422)
Major repairs expenditure	(1,506)	(635)	-	(2,141)
Bad debts	82	32	-	114
Depreciation of housing properties	(3,571)	(1,749)	(256)	(5,576)
Depreciation of other fixed assets	(1,250)	(628)	-	(1,878)
Accelerated depreciation	(374)	(174)	-	(548)
Other	(447)	(214)	-	(661)
Total expenditure on social housing lettings	**(21,391)**	**(11,224)**	**(861)**	**(33,476)**
Operating surplus on social housing lettings	**11,510**	**4,328**	**393**	**16,231**
Void losses	**(316)**	**(48)**	**(103)**	**(467)**

Notes to the financial statements (continued)

5. Operating surplus

This is arrived at after charging	Group 2023 £'000	Company 2023 £'000	Group 2022 £'000	Company 2022 £'000
Depreciation of housing properties	6,897	-	6,126	-
Depreciation of other tangible fixed assets	2,186	1,294	1,878	1,135
Operating lease rentals				
-Buildings	59	59	59	59
Auditors remuneration (excluding irrecoverable VAT)				
-Audit of Group financial statements	183	153	104	86
-for other assurance services	3	3	3	3

6. Surplus on sale of fixed assets - housing properties

	Group 2023 £'000	Company 2023 £'000	Group 2022 £'000	Company 2022 £'000
Disposal proceeds	2,584	-	2,353	-
Carrying value of fixed assets	(942)	-	(859)	-
	1,642	-	**1,494**	-

The above numbers include the following for shared ownership staircasing.

Disposal proceeds	341	-	422	-
Carrying value of fixed assets	(236)	-	(288)	-
	105	-	**134**	-

Notes to the financial statements (continued)

7. Accommodation in management

For the year ended 31 March 2023

	Social units	Affordable units	Shared ownership units	Supported sheltered units	Market rent units	Rent to Buy units	**Total owned and managed by FHG units**
Opening stock	5,628	671	446	3,125	268	94	**10,232**
Additions	11	87	31	-	-	15	**144**
Reclassification	-	-	-	-	1	(1)	**-**
Disposals	(40)	-	(4)	-	-	-	**(44)**
Closing stock	**5,599**	**758**	**473**	**3,125**	**269**	**108**	**10,332**

	Owned - managed by others units	Managed not owned units	**Total owned and managed units**
Opening stock	5	161	**10,398**
Additions	-	4	**148**
Reclassification	-	-	**-**
Disposals	-	-	**(44)**
Closing stock	**5**	**165**	**10,502**

8. Interest receivable and other income

	Group 2023 £'000	**Company 2023 £'000**	**Group 2022 £'000**	**Company 2022 £'000**
Interest receivable	1,735	2	70	-

Notes to the financial statements (continued)

9. Interest and financing costs

Group

	Group 2023 £'000	Company 2023 £'000	Group 2022 £'000	Company 2022 £'000
Loans and bank overdraft	11,873	18	10,249	18

10. Employees

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

FTEs	Group 2023 No.	Company 2023 No.	Group 2022 No.	Company 2022 No.
Administration	154	154	151	151
Development	20	20	16	16
Housing, support and care	203	47	199	48
	377	221	366	215

Employee costs:

	Group 2023 £'000	Company 2023 £'000	Group 2022 £'000	Company 2022 £'000
Wages and salaries	14,388	8,956	12,750	7,882
Social security costs	1,469	946	1,206	774
Pension costs	2,116	1,370	2,120	1,280
	17,973	11,272	16,076	9,936

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 Limited. On the basis that the constructive obligation rests with Futures Housing Group these costs are separately analysed above. As FHW and FHL remain responsible for their pension obligations no separate analysis of the related schemes' assets or liabilities is reported in the company accounts.

Notes to the financial statements (continued)

10. Employees (continued)

Derbyshire County Council Pension Fund

The DCCPF is a multi-employer defined benefit scheme, which is administered by Derbyshire County Council under the regulations governing the Local Government Pension Scheme (LGPS), a defined benefit scheme. Triennial actuarial valuations of the pension scheme are performed by an independent, professionally qualified actuary using the projected unit method. The most recent formal actuarial valuation was completed as at 31 March 2022. The market value of Futures Homescape Limited's share of scheme assets at that date was £45.6 million and the level of funding was 87%. The main actuarial assumptions used in the valuation were:

	%p.a.
Investment Return	2.3%
Salary Increases	3.7%
Pension Increases/CARE revaluation	2.7%

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 £1,075,000 (2022: £1,029,000). Members' contributions vary between 5.5% and 11.4% of pensionable pay until 31st March 2023, depending on the circumstances of the employee. Employers' contributions to the DCCPF during the accounting period commencing 1 April 2023 are at a rate of 33.4% and are estimated to be £1,139,500.

Major categories of plan assets as a total of plan assets

	2023	2022
	%	%
Equities	66	66
Bonds	22	21
Property	8	8
Cash	4	5

Assumptions

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

	2023	2022
	%	%
Rate of increase in salaries	3.95	3.90
Rate of increase in pensions	2.95	3.20
Discounted rate	4.75	2.70

Notes to the financial statements (continued)

10. Employees (continued)

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.

	2023 No of Years.	2022 No of Years.
Current pensioners:		
Males	21.0	21.1
Females	24.0	23.8
Future pensioners:		
Males	21.8	22.2
Females	25.5	25.6

Amounts recognised in the statement of financial position:

	2023 £'000	2022 £'000
Present value of funded obligations	(35,658)	(51,951)
Fair value of plan assets	44,702	45,294
Surplus restriction	(9,044)	-
	-	(6,657)
Present value of unfunded obligations	-	-
Net liability	-	(6,657)

Amounts recognised in other comprehensive income

	2023 £'000	2022 £'000
Actuarial gains in other comprehensive income	7,081	6,463

Analysis of the amount charged to operating surplus

	2023 £'000	2022 £'000
Current service cost	1,259	1,385
Past service losses	58	-
Total operating charge	1,317	1,385

Notes to the financial statements (continued)

10. Employees (continued)

Finance costs

	2023 £'000	2022 £'000
Expected return on pension scheme assets	1,230	841
Interest on pension scheme liabilities	(1,413)	(1,094)
Net interest charge	(183)	(253)

Movement in deficit during the year	2023 £'000	2022 £'000
Company share of net liabilities at start of period	(6,657)	(12,511)
Movement in year:		
Current service cost	(1,259)	(1,385)
Past service cost	(58)	-
Employer contributions	1,076	1,029
Other finance costs	(183)	(253)
Actuarial gain	7,081	6,463
Company share of net scheme liabilities at end of year	-	(6,657)

Changes in present value of define benefit obligation:	2023 £'000	2022 £'000
Opening defined benefit obligation (including unfunded obligations)	(51,951)	(54,349)
Current service cost	(1,259)	(1,385)
Past service cost	(58)	-
Interest cost	(1,413)	(1,094)
Contributions by members	(207)	(203)
Actuarial gain	18,520	4,317
Past service gain	-	-
Benefits paid	710	763
Closing defined benefit obligation (including unfunded obligations)	(35,658)	(51,951)

Changes in fair value of plan assets	2023 £'000	2022 £'000
Opening fair value of plan assets	45,294	41,838
Expected return on assets	1,230	841
Contributions by members	207	203
Contributions by employer	1,076	1,028
Actuarial (loss)/gains	(2,395)	2,146
Benefits paid	(710)	(762)
Fair value of assets at end of year	44,702	45,294

Notes to the financial statements (continued)

10. Employees (continued)

Northamptonshire County Council Pension Fund

The NCCPF is a multi-employer defined benefit scheme, which is administered in partnership by West Northamptonshire County Council and Cambridgeshire 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 2022.

The market value of the scheme's assets at that date was £10.0 million and the level of funding was 95%. The main actuarial assumptions used in the valuation were:

	% p.a.
Investment return	3.0%
Salary increases	3.2%
Benefit increases and CARE revaluation (CPI)	2.7%

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 £312,000 (2022: £316,000). Members' contributions vary between 5.5% and 11.4% of pensionable pay until 31 March 2023, depending on the circumstances of the employee. Employers' contributions to the NCCPF during the accounting period beginning 1 April 2023 are at a rate of 43% and are estimated to be £406,000.

Notes to the financial statements (continued)

10. Employees (continued)

Major categories of plan assets as a total of plan assets

	2023	2022
Equities	68%	68%
Bonds	18%	18%
Property	13%	13%
Cash	1%	1%

Assumptions

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

	2023 %	2022 %
Rate of increase in salaries	3.45	3.65
Rate of increase in pensions	2.95	3.15
Discounted rate	4.75	2.75

Mortality assumptions

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

	2023 No of Years	2022 No of Years
Current pensioners:		
Males	20.1	21.7
Females	24.3	24.0
Future pensioners:		
Males	22.6	22.7
Females	26.2	25.8

Notes to the financial statements (continued)

10. Employees (continued)

Amounts recognised in the statement of financial position:

	2023 £'000	2022 £'000
Present value of funded obligations	(7,752)	(11,730)
Fair value of plan assets	9,700	10,045
Surplus restriction	(1,948)	-
	-	(1,685)
Present value of unfunded obligations	-	-
Net liability	-	(1,685)

Amounts recognised in other comprehensive income	2023 £'000	2022 £'000
Actuarial gain in other comprehensive income	1,606	1,526

Analysis of the amount charged to operating surplus	2023 £'000	2022 £'000
Current service cost / total operating charge	188	219

Analysis of the amount charged to other finance costs:	2023 £'000	2022 £'000
Expected return on pension scheme assets	278	191
Interest on pension scheme liabilities	(323)	(256)
Net finance cost	(45)	(65)

Notes to the financial statements (continued)

10. Employees (continued)

Movement in deficit during the year	**2023**	**2022**
	£'000	**£'000**
Company share of net liabilities at start of period	(1,685)	(3,243)
Movement in year:		
Current service cost	(188)	(219)
Employer contributions	312	316
Other finance costs	(45)	(65)
Actuarial gains	1,606	1,526
Company share of net scheme liabilities at end of year	-	(1,685)

Changes in present value of defined benefit obligation:	**2023**	**2022**
	£'000	**£'000**
Opening defined benefit obligation (including unfunded obligations)	(11,730)	(12,461)
Current service cost	(188)	(219)
Past service cost	-	-
Interest cost	(323)	(256)
Contributions by members	(26)	(27)
Actuarial gains	4,314	1,060
Past service gain	-	-
Benefits paid	201	173
Closing defined benefit obligation (including unfunded obligations)	(7,752)	(11,730)

Changes in fair value of plan assets	**2023**	**2022**
	£'000	**£'000**
Opening fair value of plan assets	10,045	9,218
Expected return on assets	278	191
Actuarial (loss) / gain	(760)	466
Contributions by employer	312	316
Contributions by members	26	27
Benefits paid	(201)	(173)
Fair value of assets at end of year	9,700	10,045

The Local Government Pension Schemes (LGPS) were 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.

Notes to the financial statements (continued)

11. Board members, executive directors and key management personnel.

The Group's executive directors are considered to be the key management personnel of the group and company.

	Group 2023 £'000	Company 2023 £'000	Group 2022 £'000	Company 2022 £'000
Basic salary	688	688	686	686
Benefits in kind	57	57	50	50
Employers NIC	103	103	96	96
Pension and pension equivalent contributions	147	147	136	136
	995	995	968	968

The emoluments of the highest paid executive director (the Group Chief Executive), excluding pension and pension equivalent contributions, were £216,215 (2022: £206,467).

The Chief Executive is a member of the Derbyshire County Council Pension Scheme.

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

11. Board members, executive directors and key management personnel (continued)

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

	2023 No.	2022 No.
£60,000 to £70,000	13	10
£70,001 to £80,000	7	5
£80,001 to £90,000	4	2
£90,001 to £100,000	4	4
£100,001 to £110,000	2	5
£110,001 to £120,000	2	-
£120,001 to £130,000	-	1
£130,001 to £140,000	1	-
£140,001 to £150,000	1	-
£150,001 to £160,000	-	1
£160,001 to £170,000	-	-
£170,001 to £180,000	-	-
£180,001 to £190,000	1	-
£190,000 to £200,000	-	-
£200,001 to £210,000	-	-
£210,001 to £220,000	-	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	-	-
£270,001 to £280,000	-	-
£280,001 to £290,000	-	-
£290,001 to £300,000	-	1
£300,001 to £310,000	1	-
	37	30

Notes to the financial statements (continued)

11. Board members, executive directors and key management personnel (continued)

Board members' emoluments	**Group 2023 £'000**	**Company 2023 £'000**	**Group 2022 £'000**	**Company 2022 £'000**
S Bagshaw	3	3	3	3
J Bemrose	4	4	4	4
D Brooks	8	8	9	9
P Burke	8	8	9	9
D Cribbin	3	3	3	3
M Daunt	8	8	8	8
S Hale	4	4	12	12
R Harding	13	13	12	12
D Hook	3	3	3	3
S Hyde	13	13	12	12
K Larkin	2	2	3	3
E Lock	3	3	3	3
C McMillan	13	13	12	12
J Perry	3	3	1	1
L Ponting	1	1	-	-
T Slater	8	8	8	8
M Stevenson	21	21	20	20
S Veal	11	11	6	6
K Wooding	3	3	3	3
	133	133	131	131

Emoluments paid to FHG Chair:	21	21	20	20

Notes to the financial statements (continued)

12. Tax on surplus on ordinary activities

Group and company

	Group 2023 £'000	Company 2023 £'000	Group 2022 £'000	Company 2022 £'000
Current tax				
UK corporation tax on surplus for the year	-	-	2	-
Adjustments in respect of prior period	-	-	(352)	-
Current tax	-	-	(350)	-
Deferred tax				
Net origination and reversal of timing differences	(86)	(86)	(111)	(111)
Adjustments in respect of prior period	168	168	2	2
Effect of rate change on opening balance	-	-	4	4
Total tax charge/(credit)	82	82	(455)	(105)

Tax reconciliation	Group 2023 £'000	Company 2023 £'000	Group 2022 £'000	Company 2022 £'000
Surplus on ordinary activities before tax	6,983	-	10,538	54
Charitable activities				
Qualifying charitable donation	(330)	-	(147)	-
Surplus subject to Corporation Tax	6,653	-	10,391	54
Theoretical tax at UK corporation tax rate 19%	1,264	-	1,538	10
Income not taxable for tax purposes	(1,264)	-	(1,526)	-
Adjustment to tax charge in respect of previous periods	-	-	(350)	-
Adjustment in respect of prior periods – deferred tax	168	168	-	2
Fixed asset differences	(86)	(86)	(95)	(95)
Adjust closing deferred tax to average rate of 19%	-	-	-	-
Adjust opening deferred tax to average rate of 19%	-	-	-	-
Remeasurement of deferred tax, changes in rate	-	-	(22)	(22)
Total tax charge/(credit)	82	82	(455)	(105)

Notes to the financial statements (continued)

13. Tangible fixed assets - properties

Group	Completed housing properties shared ownership	Shared ownership properties under construction	Social housing properties held for letting	Social housing properties under construction	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 April 2022	34,520	4,232	293,285	17,864	**349,901**
Transfer to Investment Properties	-	-	(76)	-	**(76)**
Additions	57	4,818	328	19,576	**24,779**
Capitalised improvements	-	-	11,881	-	**11,881**
Schemes completed	2,730	(2,730)	18,646	(18,646)	**-**
Disposals	(246)	-	(3,233)	(349)	**(3,828)**
At 31 March 2023	37,061	6,320	320,831	18,445	**382,657**
Depreciation and impairment					
At 1 April 2022	1,402	-	56,755	392	**58,549**
Transfer to Investment Properties	-	-	(4)	-	**(4)**
Charged in year	272	-	6,625	-	**6,897**
Released on disposal	(8)	-	(2,665)	(214)	**(2,887)**
At 31 March 2023	1,666	-	60,711	178	**62,555**
Net book value					
At 31 March 2023	35,395	6,320	260,120	18,267	**320,102**
At 31 March 2022	33,118	4,232	236,530	17,472	**291,352**

Notes to the financial statements (continued)

13. Tangible fixed assets - properties (continued)

Expenditure on works to existing properties

Group

	2023 £'000	2022 £'000
Components capitalised	11,881	8,339
Amounts charged to statement of comprehensive income	3,561	2,141
	15,442	10,480

Social housing grant

Group

	2023 £'000	2022 £'000
Total accumulated grant	52,492	45,552
Recognised in comprehensive income	6,726	6,439
Held as deferred capital grant	45,766	39,114
	52,492	45,552

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

Group	2023 £'000	2022 £'000
Freehold land and buildings	320,328	291,586

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*.

Notes to the financial statements (continued)

14. Other tangible fixed assets

Group

	Freehold depot	Tools and equip-ment	Furniture, fixtures and fittings	Lifeline equip-ment	IT and Office equip-ment	Other land and buildings	Vehicles	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost								
At 1 April 2022	379	623	1,269	1,212	5,211	4,781	2,696	**16,171**
Additions	-	97	24	27	1,154	7	435	**1,744**
Disposals	-	(291)	(1)	-	(142)	-	(135)	**(569)**
At 31 March 2023	379	429	1,292	1,239	6,223	4,788	2,996	**17,346**
Depreciation								
At 1 April 2022	145	541	618	1,099	3,751	59	1,892	**8,105**
Charged in year	8	80	184	43	1,285	40	546	**2,186**
Released on disposal	-	(291)	(2)	-	(142)	(1)	(134)	**(570)**
At 31 March 2023	153	330	800	1,142	4,894	98	2,304	**9,721**
Net book value								
At 31 March 2023	226	99	492	97	1,329	4,690	692	**7,625**
At 31 March 2022	234	82	651	113	1,460	4,722	804	**8,066**

Notes to the financial statements (continued)

14. Other tangible fixed assets (continued)
Company

	Furniture, fixtures and fittings £'000	IT and office equipment £'000	Tools and equipment £'000	Total £'000
Cost				
At 1 April 2022	168	4,160	-	**4,328**
Additions	5	1,133	3	**1,141**
Disposals	-	(150)	-	**(150)**
At 31 March 2023	173	5,143	3	**5,319**
Depreciation				
At 1 April 2022	99	2,713	-	**2,812**
Charged in year	27	1,266	1	**1,294**
Disposals	(1)	(150)	-	**(151)**
At 31 March 2023	125	3,829	1	**3,955**
Net book value				
At 31 March 2023	48	1,314	2	**1,364**
At 31 March 2022	69	1,447	-	**1,516**

Notes to the financial statements (continued)

15. Investment properties

	2023 Completed investment properties £'000	2023 Investment properties under construction £'000	2023 Total £'000
Cost			
At 1 April 2022	31,725	5,619	37,344
Additions	153	393	546
Transfer from Housing Properties	76	-	76
Cost at 31 March 2023	**31,954**	**6,012**	**37,966**
Revaluation/(impairment)			
At 1 April 2022	6,203	-	6,203
In year revaluation	684	-	684
Cost at 31 March 2023	**6,887**	**-**	**6,887**
Carrying value			
At 31 March 2023	**38,841**	**6,012**	**44,853**
At 1 April 2022	37,928	5,619	43,547

Investment properties were valued as at 31 March 2023 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.

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

	FHG 2023 £'000	FHG 2022 £'000
Historic cost	30,742	30,677
Accumulated depreciation and impairment	(2,507)	(2,166)
	28,235	28,511

Notes to the financial statements (continued)

16. Group and company

Investment in joint ventures	2023 £'000	2022 £'000
Cost and net book value		
At 1 April	151	151
Additions	-	-
At 31 March	151	151

The Group has the following aggregate interests in associated undertakings.

	2023 £'000	2022 £'000
Share of fixed assets	16	15
Share of current assets	529	567
Share of current liabilities	(139)	(128)
Share of net assets	**406**	**454**
Impairment - to show movement in the year	(255)	(303)
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	2023 £'000	2022 £'000
Raw materials and consumables	264	302

Notes to the financial statements (continued)

18. Properties held for sale

Group	**2023 £'000**	**2023 £'000**	**2023 £'000**	**2022 £'000**	**2022 £'000**	**2022 £'000**
	Completed properties	**Land and properties under construction**	**Total**	**Completed properties**	**Land and properties under construction**	**Total**
Shared ownership properties	688	6,257	**6,945**	702	4,169	**4,871**
	688	6,257	**6,945**	702	4,169	**4,871**

19. Debtors

	Group 2023 £'000	**Company 2023 £'000**	**Group 2022 £'000**	**Company 2022 £'000**
Due within one year				
Rent and service charges receivable	1,356	-	1,378	-
Less: provision for bad and doubtful debts - rents	(398)	-	(762)	-
	958	**-**	**616**	**-**
Other debtors	309	37	1,271	149
Grant Prepayments	6,472			
Prepayments and accrued income	2,447	1,630	1,542	488
Amounts due from group undertakings				
Corporation Tax	-	-	94	94
Amounts due from group undertakings	-	260	-	220
Deferred tax	12	12	-	-
	10,198	**1,939**	**3,523**	**951**

Notes to the financial statements (continued)

20. Creditors: amounts falling due within one year

	Group 2023 £'000	Company 2023 £'000	Group 2022 £'000	Company 2022 £'000
Trade creditors	819	290	942	211
Rent and service charges received in advance	2,952	-	3,054	-
Corporation Tax	-	-	-	-
Other taxation and social security	360	243	503	334
Other creditors	1,302	268	1,212	51
Accruals and deferred income	8,650	859	8,831	1,279
Amounts owed to group undertakings	-	1,904	-	1,145
Inter-company loan	-	287	-	449
Deferred capital grant (note 22)	643	-	918	-
Right to buy creditor	1,869	-	659	-
Bank loans	15,876	-	2,613	-
	32,471	**3,851**	**18,732**	**3,469**

21. Creditors: amounts falling due after one year

	Group 2023 £'000	Group 2022 £'000
Bank loans and bond finance (note 24)	324,489	358,422
Deferred capital grant (note 22)	45,123	38,262
	369,612	**396,684**

Notes to the financial statements (continued)

22. Deferred capital grant

	31 March 2023 £'000	31 March 2022 £'000
At 1 April	39,181	38,329
Grant received in the year	6,879	1,605
RCGF	197	117
Released to income in the year	(588)	(907)
Grant deferred from property disposals	96	37
	45,766	39,181
Social housing grant to be released within one year	(643)	(918)
Social housing grant to be released in more than one year	(45,056)	(38,196)
Other capital grant to be released in more than one year	(66)	(67)
	(45,766)	(39,181)

22a. Recycled capital grant fund

	31 March 2023 £'000	31 March 2022 £'000
At 1 April	116	37
Inputs to RCGF:		
Grant recycled from property disposals	80	79
Interest accrued	1	-
Balance at 31 March	197	116

Notes to the financial statements (continued)

23. Provisions for liabilities and charges

Deferred tax

	Group 2023 £'000	Company 2023 £'000	Group 2022 £'000	Company 2022 £'000
At 1 April	94	94	(11)	(11)
Amount (charged)/credited to the statement of comprehensive income	(82)	(82)	105	105
At 31 March	12	12	94	94
Comprising:				
Fixed asset timing differences	(263)	(263)	(284)	(284)
Losses and other deductions	275	275	378	378
Deferred tax asset	12	12	94	94

24. Debt analysis

Group

	2023 £'000	2022 £'000
Due within one year		
Bank loans	15,876	2,613

	2023 £'000	2022 £'000
Due after more than one year		
Bank loans	31,949	65,048
Bond Finance	294,400	295,503
Less: capitalised issue cash	(1,860)	(2,129)
	324,489	358,422

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

	2023 £'000	2022 £'000
Within one year	15,876	2,613
Between one and two years	9,000	2,160
Between two and five years	-	37,541
After five years	317,349	320,850
	342,225	363,164

Notes to the financial statements (continued)
24. Debt analysis (continued)

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

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

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

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

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

The bank and other loans are repaid in instalments at fixed and variable rates of interest ranging from 3.62% 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 was 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%

On 24th January 2022 FTP tapped into the existing bond and sold a further £70m at a coupon of 3.375%. The bond was sold at a premium of £12.8m with a spread of 0.956% above the yield of 1.360%, resulting in an overall rate of 2.310%. FTP incurred loan fees of £557k.

The market value of the bond as at 31 March 2023 was £215.0m, 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 Limited and Futures Homeway Limited have entered into a fully cross-collateralised structure.

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

At 31 March 2023 the Group had undrawn committed loan facilities of £38.5m (2022: £38.5m). The Group's weighted average cost of capital is 3.68%.

Notes to the financial statements (continued)

25. Financial commitments

	Approved and contracted for		Approved and not contracted	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Expenditure on the acquisition/construction of housing properties	82,542	35,290	7,328	17,744
Repairs partnering contracts	-	-	11,975	12,298
Acquisition of other fixed assets	-	-	2,061	2,131
Total	**82,542**	**35,290**	**21,364**	**32,173**
Existing cash and borrowings:				
Borrowings	82,360	35,049	7,328	17,744
Operating surpluses	181	241	14,036	14,429
	82,542	**35,290**	**21,364**	**32,173**

26. Operating leases

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

Group	2023 £'000	2022 £'000
Land and buildings		
Due to expire - within one year	59	59
Due to expire - one to five years	118	177
Due to expire - more than five years	-	-
	177	236
Equipment		
Due to expire - within one year	-	-
Due to expire - one to five years	-	-
	-	-

Notes to the financial statements (continued)

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

	2023	2022
	£'000	£'000
Surplus for the year	**6,901**	**10,993**
Adjustments for non cash and non operating items:		
Depreciation and impairment of tangible fixed assets	9,079	8,003
Pensions cost less contributions payable	345	577
(Increase)/decrease in trade and other debtors	(433)	67
Increase in trade and other creditors	305	808
(Increase)/decrease in stock and stock of housing	(2,036)	2,084
Profit on sale of tangible fixed assets	(1,661)	(1,538)
Amortisation of government grants	(588)	(906)
Revaluation of Investment Properties	(684)	(2,368)
Interest receivable	(1,735)	(70)
Interest payable	11,873	10,567
Cash inflow from operating activities	**21,366**	**28,218**
Taxation paid	-	8
Net cash inflow from operating activities	**21,366**	**28,226**

Notes to the financial statements (continued)

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 2023 £'000	Company 2023 £'000	Group 2022 Restated £'000	Company 2022 £'000
Financial assets that are debt instruments measured at amortised cost:				
Rental debtors	958	-	616	-
Other debtors	309	37	1,271	149
Amounts due from group undertakings	-	260	-	220
	1,267	297	1,887	369
Financial liabilities measured at amortised cost				
Trade and other creditors	819	290	942	211
Accruals	8,842	859	8,831	1,279
Right to Buy creditor	1,869	-	659	-
Loans	342,225	-	363,164	-
Amounts owed to group undertakings	-	1,904	-	1,145
	353,755	3,053	373,596	2,635

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 2023 £'000	Company 2023 £'000	Group 2022 £'000	Company 2022 £'000
Short-term money market deposits	17,000	-	18,000	-
Special interest bearing accounts	80,595	365	124,008	887
	97,595	365	142,008	887

Notes to the financial statements (continued)

28. Financial assets and liabilities (continued)

The interest rate profile of the Group's loan liabilities at the 31 March 2023 was:

	2023	2022
	£'000	£'000
Floating rate	12,876	12,877
Fixed rate	329,349	350,287
Total (note 24)	342,225	363,164

The financial liabilities have a weighted average interest rate of 3.68% (2022: 3.7%). The fixed rate sums are fixed for between two and 21 years.

The debt maturity profile is shown in note 24.

29. Net debt reconciliation

	1 April 2022	Cash flows	Other non-cash changes	31 March 2023
	£'000	£'000	£'000	£'000
Bank loans				
Within one year	(2,613)	2,613	(15,876)	**(15,876)**
Between one and two years	(2,160)	66	(6,906)	**(9,000)**
Between two and five years	(37,541)	15,665	21,876	**(0)**
After five years	(24,220)	1,490	(89)	**(22,820)**
Bond				
After five years	(294,500)	-	1,830	**(292,669)**
	(361,034)	19,834	835	**(340,365)**
Cash at bank and in hand	131,509	(50,914)	-	**80,596**
Total	**(229,525)**	**(31,079)**	**835**	**(259,770)**

Notes to the financial statements (continued)

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 £6k (2022: nil) to Access Training Limited, a company with whom the Group has a beneficial interest, in respect of training.

Transactions with non regulated Group members

During the year the company received nil (2022: £12k) from Futures Living Limited. This is allocated on the basis of staff time. The company also received £144k (2022: £141k) 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 £287k 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 £32.8m and from Futures Treasury PLC of £196.8m. Futures Homeway Limited has loans in place from Futures Finance Limited of £15.0m and Futures Treasury PLC of £98.6m.

Futures Finance Limited has received loan interest from Futures Homescape Limited of £2,223k and from Futures Homeway Limited of £1,440k. Futures Treasury PLC has received loan interest from Futures Homescape Limited of £6,336k and Futures Homeway Limited of £3,162k.

The Group's executive directors are considered to be the key management personnel of the Company. Disclosures in relation to their remuneration is included in note 11.

Notes to the financial statements (continued)

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, Futures Living Limited (formerly Limehouse Developments 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 was the provision of landscape maintenance services, these services were transfered to FHL and FHW from 31 March 2021 and the company is not trading. Futures Living 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.

Group's registered address:
Futures House
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Castle Donington
Derbyshire
DE74 2SA

32. Post statement of financial position events

It is considered that there are no post balance sheet events that require the amounts in the accounts to be adjusted.