Futures Housing Group Limited

Annual report and financial statements

Year ended 31 March 2022

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

Contents:

Board members, executive directors, advisors and bankers

Board		Appointed	Resigned
Chair	Mike Stevenson	21 May 2019	
Vice Chair	Sheila Hyde	21 March 2017	
Other members	Lindsey Williams	23 July 2013	
	Steve Hale	15 July 2015	27 July 2022
	Ray Harding	26 January 2016	
	David Brooks	19 July 2017	
	Tim Slater	19 July 2017	
	Mary Daunt	22 May 2018	
	Ciara McMillan	6 November 2018	
	Peter Burke	10 August 2020	
	Mike Stevenson	26 January 2016	
	Sheila Hyde	23 September 2014	
	Samantha Veal	8 December 2021	

Company Secretary

Ian Skipp

Executive directors

Chief Executive	Lindsey Williams
Group Finance & Resources Director	Ian Skipp
Group Director of Strategic Partnerships & Growth	Ceri Theobald
Group Customer Experience Director	Suki Jandu (left 5 November 2021)
Group Director of Customer Services	Dean Anderson (left 17 June 2022)
Group Director of Business Change & Strategy	Nicola Hope

Registered office

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

Registrations

Registered under the Companies Act 2006, number 06293737

Regulator of Social Housing, number L4502

External auditor

BDO LLP, Two Snowhill,
Birmingham, B4 6GA

Solicitors

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

Bankers

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

Strategic report

The Board of Futures Housing Group Limited presents its report together with the audited financial statements for the year ended 31 March 2022.

Legal status

Futures Housing Group Limited ('the company', 'Futures' or 'FHG') is a company limited by guarantee (number 06293737) and is registered as a housing provider with the Regulator of Social Housing (RSH) (number L4502). It is the parent entity of the Futures Housing Group ('the Group'). The company was incorporated on 26 June 2007 and began trading on 5 November 2007.

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

Subsidiaries

Other members of the Group are:

Futures Homescape Limited (FHL) formed in 2003. Registered provider with the RSH. At 31 March 2022 FHL owned 6,703 housing properties (2021: 6,626) for social or affordable rent, shared ownership and market rent. 2,229 of these homes are supported housing which include a lifeline service (2021: 2,294). It also manages 87 properties on behalf of others (2021: 188).

Futures Homeway Limited (FHW) formed in 2007. Registered provider with the RSH. At 31 March 2022 FHW owned 3,432 housing properties (2021: 3,403) for social or affordable rent, shared ownership and market rent. 886 of these homes are supported housing which include a lifeline service. (2021: 888)

Five Doorways Homes Limited (5D) formed in 2004. Not a registered provider. At 31 March 2022 5D owned 97 housing properties (2021: 98). 5D is a subsidiary of FHL.

Futures Greenscape Limited (FGL) formed in 2011. FGL was a social enterprise business whose principal activities were grounds maintenance, property clearance and painting work, with the associated aim of training and developing its staff to equip them with skills to gain employment. As at 31 March 2021, as part of a Group reorganisation, the assets and operations of FGL were transferred to FHL and FHW and the business ceased trading and became dormant.

Futures Living Limited (FLL) formed in 2015. It acts as a development vehicle for properties for outright sale. Formerly know as Limehouse Developments Limited, the company changed its name to Futures Living Limited on 6 October 2021. FLL is a subsidiary of 5D.

Futures Finance Limited (FFL) formed in 2018. It 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. It 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.

Customer involvement

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

VFM statement

1. Introduction

The purpose of this statement is to demonstrate compliance with the Regulator of Social Housing's (RSH) regulatory standard *VFM Standard - April 2018* and the Regulator's recommended *VfM Code of Practice - April 2018*.

Our vision

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

Great places

Great services

Great tomorrows

Our plan has four corporate objectives:

Customer-centric

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

Growth and development

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

Sustainability

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

Culture

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

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

Customer | **Homes** | **Growth** | **Digital** | **Business change**

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

MORE VALUES

- Make a positive impression
- Operate as one
- Reach our potential
- Embrace innovation

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

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

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

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

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

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

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

- Sections 2 – 6 show the progress to-date of the VfM outcome-based targets which were created by FHG and are in addition to the Regulator of Social Housing's VfM metrics. These have been graded to show that the target has either been met, is delayed but moving towards target or not met. This allows the Board to assure itself that the Corporate plan objectives are being met and gives the Board the opportunity to take corrective action where necessary.
- Section 7 shows the 2020-21 external benchmarking to compare performance against 90 similarly-sized housing providers ranging from 7,500 to 15,000 homes.
- Section 8 shows Regulator of Social Housing VfM metrics, analysing how the Group compares to the sector.
- Section 9 provides a summary of our overall financial performance alongside a forward looking view of the key financial metrics.
- Section 10 reviews potential future VfM gains achievable through alternative commercial, organisational and delivery structures.
- Section 11 provides analysis of non-social activity performance.

2. Customer strategy VfM targets

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

Aim	Proposed VfM targets and outcomes		Update
Reduce failure demand and increase right first time customer service.	**Effectiveness:** year-on-year reduction in failure demand and right first time service.		Failure demand for 2021-22 was 14%. This is higher than the previous year's 12%. Board intervention was not considered necessary as the target was set pre pandemic.
Decrease tenant debt	**Efficiency, effectiveness:** 20% of customers supported by the Money Advice team do not fall into rent arrears. 5% of customers who have used money advice receive discretionary housing payments to support their arrears.		The Money Advice team worked with 1,600 customers who were falling into rent arrears during 2021-22, a year-on-year increase of 123%. Of these, 34% had a positive balance after engaging with the team. 7% of these customers were helped to receive discretionary housing payments totalling £133k. Overall, customers were helped to obtain grants totalling £461k by the Money Advice team.
Increase customer engagement and perception of our services.	**Effectiveness:** output data from My Voice, Customer Insight Committee and independent research shows increased trend in customer engagement and positive customer perceptions.		Overall 80% of customers were 'satisfied' or 'very satisfied' with services in 2021-22, which is 7% ahead of sector benchmarks and has continued to grow across four quarters in an environment where sector benchmarks have decreased. There are 212 customers registered as users on our digital engagement tool My Voice (up from 147 last year). Over 600 customers are independently surveyed every quarter to understand their satisfaction with a variety of metrics including with how repairs are completed, the neighbourhood as a place to live and the overall quality of their home. These results are used to understand any issues and allow for continuous improvement. In 2021-22 more than 2,000 individual customers participated in the survey. A new continuous learning process has been introduced to give clear sight of improvement actions across the organisation. The Insight Committee plays a key role in ensuring that customer voices are heard at Futures, scrutinising performance against Chapter 5 of the *Social Housing White Paper*. The committee has also been a key input into Futures' response to the new regulatory *Tenant Satisfaction Measures*, ensuring that the new measures are effective for us to accurately assess our performance. The committee reviews the Group's performance around complaints, repairs, failure demands and any dissatisfaction.
Employment advice and other work and training programmes to increase the number of customers helped back into employment.	**Effectiveness:** increase in number of customers helped back into employment.		Futures has helped secure full time jobs for 14 customers and part time jobs for ten customers. This is in addition to providing 336 job skills sessions. Futures Kickstart placements have filled seven of the ten offered roles at Futures and four of these individuals have gone on to have a permanent role within the organisation.

3. Homes strategy VfM targets

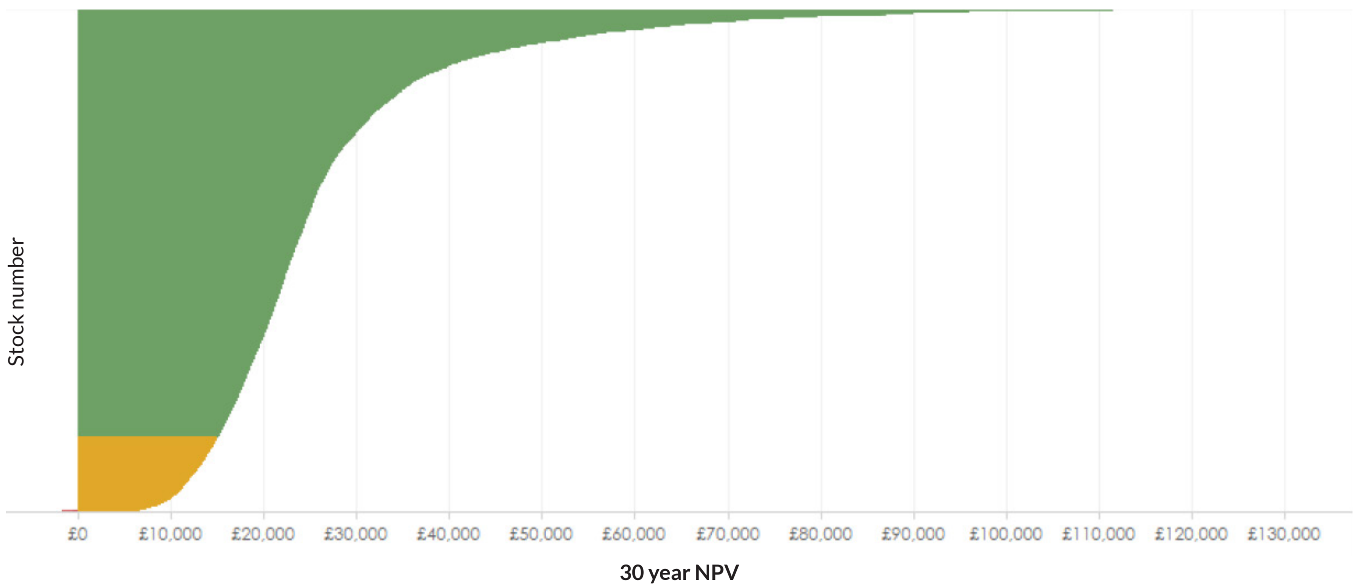
This strategy will ensure that we keep our homes safe, meet all required standards and invest in our homes to meet the needs of current and future customers.

Aim	Proposed VfM targets and outcomes	Update
Asset maximisation programme to focus on our lowest performing assets.	**Effectiveness:** present options available to the Executive Team during 2021-22 for a proportion of low performing assets.	Savills have completed a full portfolio review looking at both traditional investment costs and what energy efficiency measures are required to achieve the net carbon zero target by 2050. Net present value and social value data has been refreshed and is currently being evaluated by the asset maximisation team. Assets that cannot meet energy performance targets, or where continued investment is not value for money will be considered for disposal or regeneration. Disposal options were presented to the Executive Team during the year.
Van fleet replacement to reduce current running costs per van and carbon footprint .	**Economy, efficiency, effectiveness:** reduction in annual running costs and carbon emissions of van fleet.	Successful procurement of new vans and a new partner has improved fleet management. Older, less reliable stock has been replaced and van repairs are completed quicker. Fifteen additional vans have been identified for replacement during the year with delivery expected in 2022-23. Ford Custom diesel vans are more environmentally friendly (127-200 CO_2 (g/km) vs 176-185 CO_2 (g/km) per van). Several electric vans have been trialled throughout the year with a view to move to this technology in the future.
Stock is 100% compliant with the Decent Homes Standard.	**Effectiveness:** 100% of surveyed stock is compliant with the Decent Homes Standard and other health, safety and regulatory standards.	As at 31 March 2022 all properties are 100% compliant with the DHS. The organisation is committed to surveying all properties every seven years and during the year 1,225 properties were surveyed. FHG remained compliant with the 'big six' areas – gas, electricity, asbestos, fire risk, lifts, and Legionella.
Clear stock condition data investment requirements.	**Economy, efficiency, effectiveness:** business plan includes all stock condition data investment requirements to ensure that money is spent efficiently.	The business plan includes future costs to ensure that stock is fit for purpose based on current needs and legislation. An independent review of our stock undertaken by Savills in November 2021 concluded that our approach to stock surveys and data management is in line with best practice and the 30-year financial projections are adequate to manage the stock and in line with their expectations. The *Fire and Building Safety Act* may require additional funds to be set aside but we are proactively remediating any fire compartmentation issues and cladding surveys within our stock. Investment will be needed to comply with the Government's 2030 (properties to achieve Band C rating) and 2050 zero carbon initiative and work has begun to understand which of our stock we would need to review. Presently 50% of our properties are already at Band C and the remaining properties will need work to improve their rating. The options are being reviewed as part of the Sustainability Strategy Steering Group.

Return on assets

The asset performance evaluation (APE) system holds quantitative and qualitative data for all homes. Quantitative data is an individual net present value (NPV) calculation for each property and qualitative data is shown in the following table.

Sustainability area	Qualitative measures
Income	Rent arrears, SAP rating and heating type (as an indicator of fuel poverty).
Housing management	Anti-social behaviour (ASB) levels and 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 / community feeling.



The chart highlights that 0.02% of the stock (two units) have a negative NPV over 30 years, with 14.47% (1,411 units) showing marginal performance with NPVs below £15,000. It is recommended that these properties undergo a more detailed appraisal to understand 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. There are the assets that the AIC have prioritised for further review and decision making about future use with the aim of improving their sustainability scores and/or NPV scores. Options are being considered for conversion, remodelling or disposal.

4. Growth strategy VfM targets

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

Aim	VfM targets and outcomes	Update
An enlarged asset base will help to reduce management costs per unit and help increase borrowing capacity.	**Economy, efficiency, effectiveness:** reduced management costs per unit. Increased borrowing capacity.	Management costs per unit have increased as shown in section 8. The asset base has increased but the increase is due to the additional spend on home improvements, for fire compartmentation and towards net zero carbon.
Development appraisal parameters are maintained to deliver financially viable schemes, or for social and affordable housing, schemes which perform in line with acceptable tolerance levels.	**Economy, efficiency, effectiveness:** all new development schemes to perform in line with financial parameters.	All developments are appraised in line with established parameters and tolerance levels before they are approved. New developments are regularly reappraised and any that are at risk of going outside of tolerance are escalated to Executive Directors, AIC and the Board.
Delivery of new build programme.	**Effectiveness:** 1,200 homes to be approved and fully funded through grant and budgetary provision over the corporate plan period.	**Board Intervention:** as a result of external factors, the Board amended the target to 900 homes. During 2021-22, 179 properties were completed and this number is lower than the expected annual amount due to timings of completions and the availability of resources.
Tenure diversification maintained, acknowledging the opportunity to maximise the use of grant subsidy in accordance with Homes England requirements.	**Effectiveness:** 1,200 homes are of mixed tenure including social rent, affordable rent, shared ownership, market rent, market sale, Rent to Buy.	Tenure diversification is being maintained for all new schemes, although the target has been changed to 900 homes across the corporate plan period. The tenure split for 2021-22 was: 34% affordable rent 26% social rent 22% shared ownership 18% Rent to Buy or Rent to Sale.
The financial capacity to maintain a development programme of around 250 homes a year is maintained.	**Efficiency:** liquidity is managed in line with the treasury policy	As above, the targets have reduced with 225 homes a year being sought. Liquidity is closely managed by the Finance team and reported to the Board quarterly to ensure this level of build is achievable. This includes multiple stress tests to ensure that future liquidity is secure.

5. Digital strategy VfM targets

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

Aim	VfM targets and outcomes	Update	
Increase customer satisfaction score via digital and automated contacts.	**Effectiveness:** increase in satisfaction via digital channels.		90% of customers said that they were very satisfied, satisfied or ok with the My Account platform compared to 88% in 2020-21.
Continual reduction in demand of more expensive methods of customer contact.	**Economy, effectiveness:** reduction in calls as a proportion of the total properties managed.		During 2021-22 there were 6.9 call demands per property (71,040 calls / 10,232 properties) which is 6% lower than in 2020-21 that had 7.4 call demands per property (74,606 calls / 10,127 properties).
Spend on digital projects that are tangible to our customers.	**Efficiency, effectiveness:** implementation of knowledge tool, outbound repairs calls, digital training and digital self service projects.		Approval of the customer relationship management project has been granted, so by 2024 Futures will have implemented and streamlined 38 significant processes which will benefit customers. This includes the automation of and ability for customers to track repairs online. A knowledge tool has been rolled out to make it easier for customers to get help at their first point of contact. Total digital spend to date is £4m with £7.0m committed until the end of 2024.

6. Business change strategy VfM targets

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

Aim	VfM targets and outcomes	Update
Transformation programmes to demonstrate pre and post VfM review of and improvement in cost, efficiency and effectiveness as appropriate.	**Economy, efficiency, effectiveness:** identify improvements in cost and/or efficiency and/or effectiveness as appropriate for each transformation completed.	After a successful first build in the Finance team of Direct Debit automation in 2020-21, the automation strategy in 2021-22 has continued to drive operational efficiency by automating routine and repetitive processes across the Group. To-date 29 automations have been released to the business, giving capacity back to nine different departments. Twenty four recurring automations are saving around 270 hours of administrative time a month, with the remaining five handling one-off data-cleaning or backlog activities that would have taken 470 people-hours to complete.
Successful implementation of the workspace project.	**Efficiency, effectiveness:** successful transfer of staff to the new office and touchdown points and encouraging staff to work in a flexible way appropriate to business needs.	An additional touchdown point was opened in Heanor. Futures House, (new head office close to East Midlands Airport) successfully opened in November 2021. Investment in additional workspaces is underway, with an options appraisal planned for Leabrooks repairs & maintenance depot expected in 2022.
	Efficiency: understand retention rate of team members.	The employee retention rate has decreased from 90% to 87% and is a measure of what percentage of the overall workforce has been with Futures for more than 12 months. This is representative of the current employment market. **Board intervention**: none taken as immaterial.
Delivery of a 'fit for the future' workforce	**Effectiveness:** number of successful completions of apprenticeship and graduate programmes.	£683k was invested into the graduate and Repairs Academy apprentice programmes during 2021-22. As at 31 March 2022, there were 20 active apprentices. Four apprentices have been appointed into roles and four Kickstart individuals have been successful in obtaining roles in the business.
	Effectiveness: succession plans for leadership roles in place and actively managed.	No changes made during 2021-22.
	Effectiveness: skills matrix in place and used to identify skills and expertise required by the Group.	Base skills matrix now in place for all team members.
	Efficiency: maintain 80% employee engagement survey results, indicating engaged workforce.	Survey was not issued during 2021-22 as regular staff feedback was obtained during the year in relation to the pandemic.
	Efficiency: increase the number of mental health first aiders in place across the Group.	Futures had 20 new mental health first aiders in place by March 2022 (17, 2020-21) with another 14 awaiting training. One team member has also qualified to provide furter training in-house.
Maintain the IIP Gold Standard.	**Effectiveness:** IIP Gold Standard maintained.	Investors in People Platinum awarded June 2021. The annual review took place in March 2022 providing positive feedback and the certificate has been retained until the next review (March 2023).

7. External benchmarking to compare performance with peers

The Group's over-arching target is upper quartile performance at no more than median cost. The comparison table below is based on 2020-21 data for 90 similarly-sized peers who also use Housemark. This means that measures which assess the effectiveness of service to customers are aimed to be in the upper quartile while cost measures are aimed at being either quartile 1 or 2.

Housemark indicator	2020-21 quartile performance	Actual 2020-21	Target met 2020-21	Actual 2019-20	Actual 2018-19	Actual 2017-18
Average number of calendar days to complete repairs	2	12	●	11	11	9
Average re-let time in days (standard re-lets)	1	25.5	●	17	15	28
Average SAP rating	2	70	●	71	71	69
Percentage of dwellings with a valid gas safety certificate	n/a	100%	●	100%	100%	100%
Percentage of repairs completed on first visit	3	90.6%	●	91.8%	93.5%	95.9%
Rent loss due to voids	1	0.6%	●	0.4%	1%	0.9%
Standard units developed as a percentage of current stock	1	2.7%	●	2.7%	2.5%	2.5%
Total cost per property: housing management	2	£474	●	£449	£413	£438
Total cost per property: estate services	1	£125	●	£113	£179	£138
Total cost per property: major works and cyclical maintenance	4	£1,857	●*	£1,782	£1,397	£1,353
Total cost per property: responsive repairs and voids	4	£1,314	●*	£1,075	£791	£646
Total tenant arrears as % of rent due (FVA definiton)	2	3.2%	●	3.1%	2.6%	1.2%

** Costs set by the Board*

Average number of calendar days to complete repairs: implementating of Accuserv (repair scheduling software) will help to reduce this time as it will allow the processes to be streamlined.

Average SAP rating: this is reviewed as part of the sustainability work and it is Futures' intention to comply with the Government's net zero carbon target.

Percentage of repairs completed at the first visit: this is in quartile 3, as the result of 90.6% was 2.2% lower than the peer group median. **Board intervention:** work is ongoing to improve repairs and in March 2021, a system called Web RTC was installed to allow customers to video chat to diagnose problems more easily. In addition, the new customer relationship management and Accuserv (repair scheduling software) systems will streamline the repairs processes and the Knowledgebase (online, smart FAQ system) will allow customers to resolve smaller issues themselves or at the first point of contact with Futures and will be operational during 2022-23.

Total cost per property for repairs: this is higher than median because we are investing significantly more money into improving stock so this should be looked at as a benefit. In addition, the global position on materials has affected spend and the Procurement team has been able to limit the full effect of this increase without which the the cost would have been higher still. Costs and targets have been set by the Board.

For 2022-23, we will be using i4H instead of Housemark and one benefit will be the ability to compare against more recent data.

8. Regulator of Social Housing VfM metrics

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

Gearing is above the sector median because our 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). As the Group builds more new homes over the forthcoming years, the gearing will reduce. A more relevant measure of gearing for the Group is the gearing covenant set by the funders for which we have 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 taking advantage of favourable rates and obtaining £70m additional bond funds while accelerating fire compartmentalisation works and investing in a number of projects to benefit customers.

The headline social housing cpu metric is higher than median and peer group analysis from i4H during 2022-23 will help the Group understand the reasons for this.

	Actuals 2018-19	Actuals 2019-20	Actuals 2020-21	Actuals 2021-22	Target 2022-23	Target 2023-24	Target 2024-25	Target 2025-26	Global accounts 2020-21 (median)
Reinvestment % Efficiency measure	31.0%	15.3%	9.0%	9.0%	11.5%	11.2%	11.9%	13.9%	7.1%
New supply delivered % (Social housing) Effectiveness measure	2.30%	1.67%	1.29%	1.7%	1.6%	2.4%	2.3%	2.3%	1.0%
New supply delivered % (Non-social housing) Effectiveness measure	0.90%	0.92%	0.17%	0.07%	0.43%	0.00%	0.00%	0.00%	0.0%
Gearing % Efficiency measure	82%	77.5%	81.7%	78.8%	71.3%	72.8%	73.0%	73.2%	51.2%
EBITDA MRI interest cover Efficiency measure	222%	198%	183%	144.6%	148%	150.2%	143.0%	149.1%	166%

	Actuals 2018-19	Actuals 2019-20	Actuals 2020-21	Actuals 2021-22	Target 2022-23	Target 2023-24	Target 2024-25	Target 2025-26	Global accounts 2020-21 (median)
Headline social housing cpu Economy measure	£2,692	£3,047	£3,045	£3,700	£3,956	£4,158	£4,479	£4,720	£3,476
Operating margin % Social housing lettings Efficiency measure	33.4%	32.1%	36.7%	32.7%	28.2%	29.2%	31.2%	31.9%	25.2%
Operating margin Overall Efficiency measure	33.9%	30.5%	30.4%	28.8%	26.3%	27.3%	29.5%	30.1%	23.6%
Return on capital employed	6.34%	5.98%	5.15%	3.93%	3.58%	3.79%	4.40%	4.28%	3.80%

cpu = cost per unit

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

Global accounts 2021	Lower quartile CPU £'000's	Median CPU £'000's	Upper quartile CPU £'000's	FHG 2019-20 £'000's	FHG 2020-21 £'000's	FHG 2021-22 £'000's	Target 2021-22 £000's	Cost increase / decrease to reach median £'s
Headline social housing CPU	3.07	3.48	3.75	**3.05**	**3.05**	**3.66**	**3.73**	
Broken down into:								
Management CPU	0.90	1.08	1.21	**1.13**	**1.02**	**1.29**	**1.29**	**(2,073,480)**
Service charge CPU	0.23	0.35	0.41	**0.24**	**0.22**	**0.25**	**0.26**	**958,150**
Maintenance CPU	0.97	1.10	1.32	**0.91**	**0.97**	**0.86**	**0.87**	**2,417,900**
Major repairs CPU	0.46	0.75	0.92	**0.66**	**0.75**	**1.04**	**1.06**	**(2,936,250)**
Other social housing CPU	0.04	0.11	0.19	**0.11**	**0.08**	**0.22**	**0.22**	**(1,086,410)**

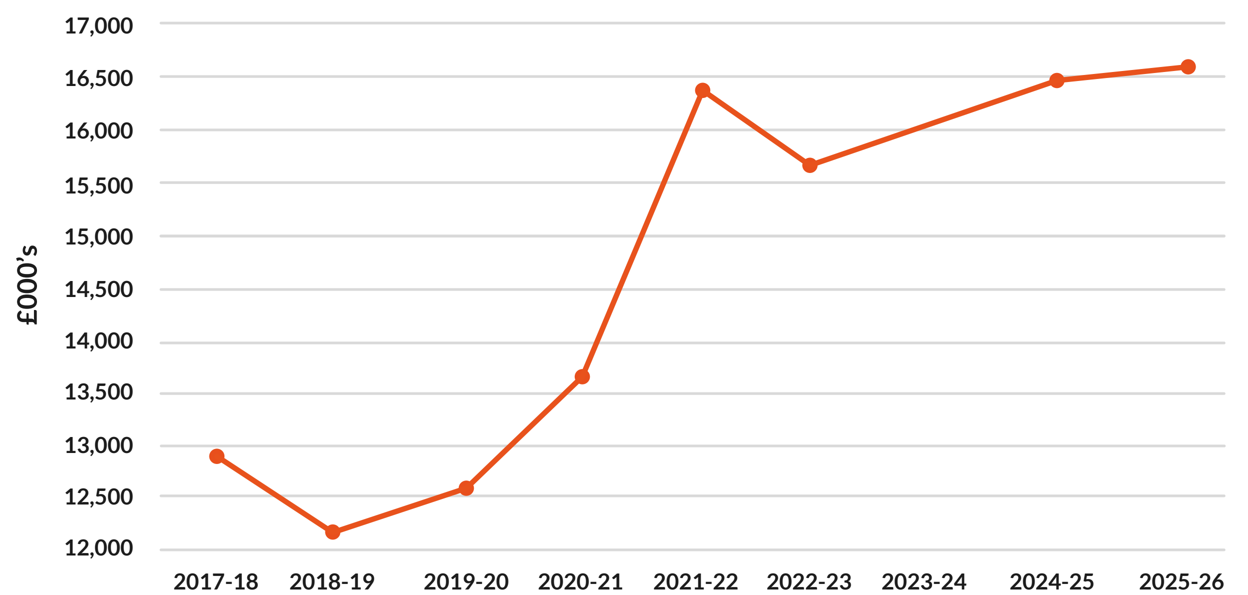
9. Historical financial performance

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 more new homes.

Statement of comprehensive income	31 Mar 2018 £'000	31 Mar 2019 £'000	31 Mar 2020 £'000	31 Mar 2021 £'000	31 Mar 2022 £'000
Total turnover	50,195	50,592	57,824	62,254	59,687
Operating costs	(34,223)	(33,473)	(40,381)	(43,304)	(42,559)
Revaluation of investment properties	393	1,747	662	1,035	2,368
Surplus on sale of housing properties	816	1,207	2,915	859	1,538
Operating surplus	**17,181**	**20,073**	**21,020**	**20,844**	**21,034**
Operating profit %	34%	40%	36%	33%	35.2%
Surplus for the year transferred to reserves	11,668	7,222	20,397	3,448	18,982

Statement of financial position	31 Mar 2018 £'000	31 Mar 2019 £'000	31 Mar 2020 £'000	31 Mar 2021 £'000	31 Mar 2022 £'000
Fixed assets	187,375	264,470	290,768	314,352	343,126
Net current assets	8,974	25,458	53,258	70,201	131,973
Creditors over one year	(176,325)	(262,682)	(296,382)	(333,462)	(405,026)
Total net assets/(liabilities)	**20,024**	**27,246**	**47,644**	**51,091**	**70,073**

Forward looking financial performance: core operating costs



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

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

Forward looking financial performance: EBITDA

	31 March 2022	31 March 2023	31 March 2024
EBITDA MRI (£'000)	16,713	14,422	13,965
EBITDA MRI % *	147%	129%	132%
Average interest rate % per debt	3.72%	3.79%	3.80%
Groupwide net debt per unit (£'000)	19.3	21.9	23.8

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

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

The average interest rate ranges from 3.72% to 3.80% over the next three years. It varies as fixed rate loans expire and are replaced with variable debt.

Loan covenant compliance

Covenant forecasts		2022-23 Actual	2023-24 Forecast	2024-25 Forecast	2025-26 Forecast	2026-27 Forecast
Gearing forecast: Group	RBS	56%	56%	56%	56%	55%
Gearing covenant: Group		80%	75%	75%	70%	70%
Internal limit (4% below covenant)		76%	71%	71%	66%	66%
EBITDA MRI interest cover	RBS	131%	132%	132%	132%	130%
EBITDA MRI interest cover covenant		110%	110%	110%	110%	110%
Internal Limit		121%	121%	121%	121%	121%
Asset cover	Lloyds	239%	248%	259%	271%	284%
Asset cover covenant		105%	105%	105%	105%	105%
Internal limit		120%	120%	120%	120%	120%
EBITDA MRI interest cover	Lloyds	397%	468%	536%	586%	564%
EBITDA MRI interest cover covenant		110%	110%	110%	110%	110%
Internal limit		121%	121%	121%	121%	121%
Gross/Net financial indebtedness	Lloyds	22%	20%	19%	17%	16%
Gross/Net financial indebtedness covenant		≤50%	≤50%	≤50%	≤50%	≤50%
Internal limit		≤47%	≤47%	≤47%	≤47%	≤47%

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

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

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

Partnership announcement

On 6 April 2022, FHG announced it is in early talks with bpha and Flagship Group to enter into a partnership. The three organisations collectively manage over 60,000 homes in central and eastern England and are exploring the potential of combining their expertise and capability to enhance customer service and the provision of more homes. All three organisations have strong credit ratings - Flagship (A2, Moody's), bpha (A+, S&P), and Futures (A+, S&P), which provides a firm financial foundation for any future partnership.

Group-wide financing arrangement

The Group refinance in 2019-20 continues to deliver enhanced borrowing power to meet the growth ambitions. To take advantage of the favourable market conditions, a further £70m bond tap was completed in January 2022. Further refinances are planned to continue development of new homes and investment in existing stock.

Repairs Academy

The Repairs Academy has continued to train our apprentices (18 full time equivalents during 2021-22) 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.

Process automation technology

The automation strategy has continued to drive operational efficiency by automating routine and repetitive processes across the Group.

To date 29 automations have been released to the business, giving capacity back to nine different departments. Twenty four of these are recurring automations which save approximately 270 hours of administrative time a month, with the remaining five handling one-off data-cleaning or backlog activities that would have taken 470 hours to complete.

Work on automation and robotic processing was recognised externally this year when we won the 2021 'Business improvement through technology' award at the East Midlands Chamber Derbyshire Business Awards.

11. Analysis of non-social housing activity performance

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

Past and future gains	2017-18 £'000's	2018-19 £'000's	2019-20 £'000's	2020-21 £'000's	2021-22 £'000's	2022-23 £'000's	2023-24 £'000's
Profit from property sales							
RTB/RTA	816	945	2,915	859	1,381	287	331
Shared ownership	248	1,881	590	199	170	1,451	49
	1,064	**2,826**	**3,505**	**1,058**	**1,551**	**1,739**	**381**
Profit from diversified activity*							
Outright sales	308	40	655	913	334	-	-
Market rent	455	879	890	152	578	590	601
	764	**919**	**1,545**	**1,065**	**912**	**590**	**601**

** 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 2 (Growth).

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

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

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

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

For 2022-23 we have updated our VfM measures as we continue to embed VfM within The Group.

Strategy	Aim	VFM targets and outcomes	Notes
Customers To have a clearly defined customer offer delivered through effortless customer experiences.	Deliver an effortless customer experience.	**Effectiveness:** Reduce failure demand 2022-23 – by 5% 2023-24 – further 5%	Shows how improvement within our processes and systems positively affect the service provided to customers.
	Use our resources and develop and maintain effective partnerships to promote and support tenancy sustainment and maximise opportunities for employability, health, training and homelessness.	**Economy:** Manage customers' tenancies to ensure bad debts are no more than 1.5% of income.	Aligns with business plan assumptions.
		Effectiveness: 240 customers receiving high level intensive planned support a year through tenancy sustainment, money advice and employment advice programmes.	Significant support provided to customers to help with tenancy sustainment. This target is an estimate based on having a full tenancy sustainment team, which was not in place last year.
	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.	Listening to our customers.
		Effectiveness: Customer satisfaction with our neighbourhoods in the upper quartile compared to industry benchmarks.	Listening to our customers.
Homes To ensure that our housing stock meets all standards and the needs of our current and future customers.	Continued investment to ensure that existing stock is maintained at decent homes plus standard.	**Economy, efficiency, effectiveness:** Repairs team expansion plan to increase inhouse delivery to 50% (2021-22: 40% of asset works by cost).	Reduces reliance on external contractors which will improve response times and reduces the risk of price increases. VAT savings would be achieved on work completed internally to provide cost savings too.
	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 and regulatory standards.	Safety is of the highest importance to Futures.
		Effectiveness: Satisfaction with the safety and quality of our homes in the upper quartile compared to industry benchmarks.	
	Optimise investment decisions for existing stock type, geography and future sustainability.	**Economy:** Clearly aligned and implemented stock data investment requirements within the 30 year business plan.	Ensures the business plans match the requirements.

Strategy	Aim	VFM targets and outcomes	Notes
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 B.	To ensure future compliance with the sustainability strategy.
		Effectiveness: Satisfaction with moving into a new home in the upper quartile compared to industry benchmarks.	Ensures homes are fit for purpose.
Growth To identify and facilitate organic and inorganic geographic and service offer growth opportunities.	Partnerships and strong voice.	**Effectiveness:** Under the 'LIFE' model, have a lead role with three organisations, including two meetings a year.	Develop partnership working to enhance the range of services offered; seek partnership opportunities with public and private sector partners. Be a strong voice for housing needs and services in the East Midlands and increase the awareness and benefits of social and affordable housing.
	LIFE	**Effectiveness:** Demonstrate an improvement in our stakeholder's impression from the perceptions audit to be run by the PR & Communications team.	Optimise local authority relationships and opportunities, define adopt and invest in a LIFE approach to the development and services we provide in local authority areas.
Digital Enable customers to consume digital services by choice, also applying the culture, processes, business models and 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 a month. 2023-24 – further 50 hours a month.	The Digital team has a runway of automations to be progressed during the year.
	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.	Feedback is reviewed to determine additional changes that are required. These are new measures that the new customer relationship management (CRM) system will allow us to record.
	More customers choosing to use our digital services rather than other contact routes.	**Efficiency:** Proportion of total customer interactions that are digitally served 2022-23 - 30%. 2023-24 - 40%.	We will support customers through their channel of choice but by making digital seamless, more customers will use this channel once they experience the benefits to them. These are new measures that the new CRM system will allow us to record.

Strategy	Aim	VfM targets and outcomes	Notes
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 and post VfM review of and improvement in cost, efficiency and effectiveness as appropriate.	As per the aim
	Develop a culture of trust, empowerment, agility, authenticity and accountability	**Efficiency, Effectiveness:** Maintain 100% compliance with all mandatory training.	
	Grow and nurture talent to support a fit for the future agile workforce	**Effectiveness:** Maintain at least 90% employee engagement score.	
		Effectiveness: Post completion of Futures House – planned vs actual benefits assessment. Plans for Leabrooks depot to be developed.	
		Effectiveness: Conversion rate of 70% of apprentices and graduates into permanent employment once their course finishes.	
		Effectiveness: Maintain the IIP Platinum standard	
		Effectiveness, Economy: 2.5 % of workforce in apprenticeship and graduate trainee positions	

End of VFM statement

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.

Co-terminous Board

FHG

FHL

FHW

5D

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

FFL

- Group funding vehicle for bank debt

FTP

- Group funding vehicle for bond debt

Group Audit & Risk Committee

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

Asset Investment Committee

Futures Living Limited

- Asset investment and Futures Living risk map
- Development reports
- Performance reporting

Insight Committee

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

Remuneration Committee

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

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

Futures Living Ltd

On 21 September 2021, the 5D Board approved changing the name of Limehouse to Futures Living Limited (FLL) to further align with the Futures brand. 5D is the parent of FLL.

External environment

Regulator of Social Housing

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

Regulatory framework

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

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

The Charter for Social Housing Residents: Social Housing White Paper

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

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

The Board has fully engaged with the themes in the White Paper and taken steps to ensure that the Group is compliant with its requirements. The Group has established ‘owners’ of all regulatory standards currently in place and a project has been created to ensure that the data requirements of the paper can be met.

Building Safety Bill

The *Building Safety Bill* is within its final stages and is likely to be brought into formal legislation by 2023. The Bill will introduce a new regulatory regime, overseen by the Health and Safety Executive, to enhance the fire and structural safety of new and existing residential buildings. Areas within the new Bill include:

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

The Group does not currently own or manage any high-risk buildings taller than 18m (or six storeys) so not all of the new Bill is relevant to our homes. There are areas of good practice that we will adopt in how we manage properties and communicate with customers. We anticipate that the main change will relate to new development schemes that are on a land-led basis going through a new three phased '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 Asset Investment Committee overseas the health and safety compliance, as well as there being a health and safety forum and a Repairs and Assets Group. Information is also reported to the Group Board.

Future Homes Standard

This new legislation will be introduced by 2025 and the current consultation indicates that the new requirements will be that all new build homes should be future proofed with low carbon heating and leading levels of energy efficiency. Changes to the building regulations will be made to ensure 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.

New Affordable Homes programme

A strategic partnership between Futures Housing Group, Midland Heart and East Midlands Housing has been awarded £171m of grant under the new Affordable Homes Programme. This provides the Group with an additional £21.8m that will go towards delivering 500 new homes to local and surrounding areas.

Half of the programme will be for affordable home ownership and a new model has been introduced that allows customers to purchase a minimum of 10% equity in their home as compared to 25% under the previous regulation. In addition it will allow owners to buy further shares in smaller instalments of 1%. A new allowance for responsive repairs is also provided in the new model so that new owners will qualify for a ten year repair free period during which the Group will cover the cost up to £500 a year. The Group has modelled the financial implications of this new model on its business plans and ensured that there is sufficient capacity within the plans to fund the requirements of the new model.

Right to shared ownership

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

Covid-19

When the lockdown occurred, the Group's business continuity plan was instigated and operations were adapted in line with government guidance to minimise the spread of the virus, to have regard to the duty of care owed to the Group's employees and, as appropriate, to maintain a 'business as usual' service for customers. Planned and responsive works, with the exception of urgent and emergency works, were reduced during lockdown periods and development schemes were also paused where required.

When allowed, works were restarted and are now back to normal with any backlog quickly cleared. There has been no detrimental impact to the Group's operational performance which still has high customer satisfaction rates and low arrears. Development has resumed too and the organisation is working to mitigate against the reduction in supply and increase in prices of materials.

Future funding of supported housing

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

Rent policy

The Government has indicated that it may change the permitted rent increase formula of CPI plus 1%. This may be for a single year and is presently going through consultation. Futures applies the permitted rent tolerances to the calculation of social rents, being 5% for social rents and 10% for supported housing. For those customers not already at full target rent plus tolerance, their rents only increase in line with CPI plus 1% as stated in the rent regulations. A review of affordability to our customers is undertaken each year before any rent increases are applied.

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

Universal Credit and welfare reform

The Government temporarily uplifted benefits during the pandemic to help prevent rent debt and in the March 2022 budget there was a £3k increase in the National Insurance threshold to help households offset the high forecasted inflation rates. The Group continues to manage the issue robustly with a focus on customer 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 mitigation in respect of welfare reform is detailed in the risk section of this report.

Risk and uncertainties

The Board reviews the main risks that may prevent the Group from achieving its objectives every year as part of the corporate planning process. They are also monitored during the year by the Audit and Risk Committee. The risks are assessed in terms of their impact and probability. Major risks, presenting the greatest threats to the Group, are included in a corporate risk map, while other risks are included in operational based risk maps. The Group's approach to risk is not intended to eliminate risk but to identify, prioritise and manage key risks to support corporate objectives.

Corporate risks

The key corporate risks are outlined in the following table.

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

Risk	Current controls and sources of assurance
■ Materials and labour shortages could delay repairs and increase rent loss on void repairs. ■ An increase in the Group's pension fund deficit due to reduced investment returns. ■ Reduced credit rating or access to affordable debt. ■ Lack of consumer confidence resulting in a slowing housing market and ineffective delivery of Futures Living business plan. ■ Ineffective delivery against the corporate and business plan 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 mortgage payments; and* • *result in revisions to housing policy and reduced access to government (grant) funding, including European grants.*	controls include reporting of performance measures to AIC and financials to Board. ■ The Group has undertaken a review with its pension advisor on the continuation of the local government pension schemes. The Remuneration Committee decided to retain these schemes rather than pursue plans on defined benefit pension schemes. This was due to a high cessation charge compared to the ongoing cost increase of the provision. ■ The Group continues to monitor social housing demand. ■ Stress testing of business plans has included modelling the impact of adverse economic conditions. ■ Stress testing workshop in November 2021 – Board approved report in January 2022.
Information governance. Failure to have in place robust information governance arrangements leading to the inability to efficiently access or use data and information, compromises of information, non-compliance with our legal and regulatory obligations including: ■ ***GDPR and Data Protection Act 2018*** ■ **PCI DSS** ■ **CCTV Code of Practice 2020** ■ **Cyber Essentials+** This might result in regulatory interest, inefficient processes, data quality issues and working arrangements, financial penalty, reputational damage and business interruption.	■ The Group has in place a designated data protection manager and DPO to ensure the continued compliance of GDPR across the Group and an information governance and security manger to lead in developing appropriate information and security data management. ■ All staff receive mandatory GDPR awareness training as part of their induction and every two years during their employment. ■ Data protection impact assessments (DPIA) are carried out for all new or amended systems or processes with high privacy risks. ■ The Group works with solicitors who provide legal advice and support. ■ GDPR risk and progress updates are reported quarterly to Co-Executive, and six monthly to the Group Audit & Risk Committee and Board. ■ The Information Governance Forum has an operational risk register which aims to provide assurances about the mitigation of operational information and data risks.

Risk	Current controls and sources of assurance
Economic climate. The macro and micro economic climate may increase pressure on the Group's existing services. The current macro economic environment of high inflation overlaid with possible government intervention over rent setting may increase the pressure of deliverability of services to customers. This would result in an increased number of businesses being unable to cope with further lockdowns and restrictions leading to supply chain issues. Inability to deliver the Group's strategic objectives detailed in the new corporate plan. Increases in homelessness resulting in increased reliance on services.	- The Board and Group Audit & Risk Committee monitor various key economic metrics. - Business plans are prepared using 'key rules for effective financial management', as detailed in the budget report approved by the Board. These include having spare facility headroom to cope with potential adverse economic conditions, no dependency on sales income to meet loan covenants, business plan to remain viable with base rates up to 4.5% and worst case treasury forecasts applied for inflation and interest rates over a five year period. - Quarterly stress testing of business plans assess the impact of adverse economic conditions on loan covenants and ongoing viability. This stress testing has included possible caps being placed on rental uplifts. - Contractor financial resilience is assessed for all new suppliers. The Procurement team runs credit checks on new suppliers. - Reworked cashflows with new (stressed) assumptions reported to Board - Drawn down agreed loan facilities to maximise our liquidity. - The Procurement team has been working with lead officers to identify critical contractors and fall-back plans have been developed to ensure that the Group's supply chain is resilient.
Government policy. Government policy has an adverse impact on the company operations and / or finances. This includes an inability to access future government funding. This may result in the inability to deliver the strategic objectives in the new corporate plan.	- The Co-Executive team monitors developments in government policy, including bidding rounds and Chancellor Statements and report key developments and actions to the Board and Group Directors for example around the Voluntary Right to Buy scheme. - Known and anticipated changes to government policy are incorporated into budgets and business plans which are stress tested and then reviewed and approved by the Board, with decisions recorded in minutes. - Regular reporting to the Board and/or Group Audit & Risk Committee on actual and expected policy changes including mitigating actions. - Internal audit of budget setting and approval processes. - The Group has historically been successful in Homes England grant funding bids and future funding is sought through continuous market engagement. Grant levels are currently increasing supporting scheme viability and/or options for tenure mix. - Work on tenure diversification is continuing. This incorporates the Government's expectation of using the asset base of the Group to deliver more social housing. - The Board sets the Group's strategic direction to incorporate the ability to be a partner of choice with Homes England. - The Group has responded to the Building a Safer Future: Proposals for Reform of the Building Safety Regulatory System consultation (NHF). - The Asset Investment Committee noted the Group's response to the *Planning for the Future White Paper* at their meeting on 7 October 2020 before it was submitted.

Risk	Current controls and sources of assurance
Resource planning. Inappropriate planning of staff resource required to meet the changing strategic direction of the Group as well as not identifying the resource and skills needed to run departments, subsidiaries and projects which may lead to service failures, complaints or failure to deliver strategic aims resulting in regulatory issues. This extends to Group growth or contraction plans and the associated need to restructure.	- Resource planning is owned by the Co-Executive Team and reviewed and discussed quarterly with the Executive Directors. Approval for additional resource is sought through a business case to the Executive 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 (eg transformation output). - Annual budget setting is informed by the resource plan which assesses current and future resource requirements necessary to deliver services as well as 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. The last review was undertaken in 2021. This review helps to ensure that the employee reward remains competitive and key partners are retained. The Executive Directors consider report outcomes at meetings before making decisions. - The development of a high-level skills matrix that sets out the core skills and capabilities for each role and underpins future resource planning. This also ensures that team members have the right skills and that suitable training and development arrangements are in place. The People team transformation project and ongoing resource planning work will further develop this. - The Group's resource plan has been reviewed by the Co-Executive Team and Executive Directors (alongside budgets) to address any additional skills or headcount requirements to subsequently inform the annual budget setting exercise for 2021-22 on forecasted resources.

Capital structure and treasury policy

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

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

The Group has in place two funding vehicles, FFL to hold bank funding facility of £110m and FTP to hold a £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 2022, FFL had £38.5m undrawn (2021: £41.6m). FTP carried out a further bond tap of £70m in January 2022.

5D borrows exclusively from Lloyds Bank with whom it has a £1.84 million debt facility in place. The current debt drawn down is £1.84m as at 31 March 2022 (2021: £1.9m). This is offset by cash and investments held of £5m (2021: £5m).

The total available liquidity of the Group as of 31 March 2022 is £180.5m (£142.0m cash and investments plus undrawn facility of £38.5m). The Group's treasury management policy states that the Group should manage its liquidity risk, ie the risk of the Group becoming unable to meet its financial obligations when they fall due, through ensuring that sufficient sources of funding are available. The Group should hold liquid funds, short term funds and medium term funds for rolling periods of three months, 12 months and 18 months respectively that can be accessed within appropriate timescales. Liquidity risk is effectively managed as the Group's cash and cash investments can be accessed within seven days and all committed debt facilities can be accessed within two days. The policy also states that the Group should ensure it will not require additional financing to meet its contractually committed obligations within a period of less than 24 months. The Group complies with this requirement in its annual budget business plans and monthly outturn plans. The Group is subject to refinance risk when the existing revolving credit facilities expire but this extends beyond 24 months.

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

All of the Group's debt facilities are secured by fixed charges. The Group currently has around 2,600 unencumbered properties available to secure new debt which will form part of the next refinance to enable the Group to continue with its ambitious new development plans.

Accounting policies

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

Key estimates and judgements

The significant judgements and estimates made by the Group in the preparation of the financial statements are set out in the notes to the financial statements this includes details relating to a change in accounting estimate made during the year to the useful economic life for damp proofing, electrical rewires, external wall insulation and internal insulation. This is a change in the measurement basis and has therefore been applied prospectively from 1 April 2021.

Payment of creditors

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

Complaints

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

Statement of compliance

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

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

During the year the Board has overseen an assessment of compliance with each of the Regulatory Standards. The outcome of the annual assessment was reported through an annual statement of internal control which the Board approved. As a consequence the Board can certify that the Group was in full compliance with the Governance and Financial Viability Standard for 2021-22 throughout the course of the year and up to the date of signing of the accounts.

Section 172 statement

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

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

Key decisions in this area during the year include:

- Approval of the 2022-23 budget and business plan for the next financial year to enable the delivery of corporate plan ambitions while maintaining sufficient headroom within its funding capacity to allow the Group to withstand a multitude of economic pressures.
- Approving the Group's sustainability strategy and approving the inclusion of a significant amount for this work within the 30 year business plan.
- Extending the development programme over ten years.
- Taking advantage of the relatively low interest rates to obtain £70m of bond finance in January 2022 to ensure liquidity is available for the corporate plan, and
- On 6 April 2022, FHG announced it is in early talks with bpha and Flagship Group to enter a partnership. The three organisations collectively manage over 60,000 homes in central and eastern England and are exploring the potential of combining their expertise and capability to enhance customer service and the provision of more homes. All three organisations have strong credit ratings - Flagship (A2, Moody's), bpha (A+, S&P), and Futures (A+, S&P), which provides a firm financial foundation for any future partnership.

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

Key decisions in this area during the year include:

- Salary uplift of 4.2% for all staff.
- Investment in the 'Leadership Academy' to develop management and coaching skills for staff, empower staff and devolved decision making.
- Investment in health and wellbeing initiatives.
- Improved staff engagement and people processes culminating in the Investors in People platinum standard.
- Increased investment in technology to enable to staff to work in an agile way.
- No redundancies as a result of Covid-19.

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

Key decisions in this area include:

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

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

Key decisions in this area include:

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

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

Key decisions in this area include:

- Continued investment in the Group's Governance team to deliver a tightly governed operating model that serves the needs for high standards of business conduct and for demonstrating how the Group acts fairly between all corporate entities and Boards.

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

- v As well as complying with the SECR regulations, the Group intends to enhance its approach to environmental, social and governance (ESG) reporting to include adopting the Sustainability Reporting Standard for Social Housing. Sustainability reporting is relevant to the Group's investors and is a key tool to demonstrate the Group's delivery on the *Social Housing White Paper* expectations, *Future Homes Standard* and *Energy White Paper*. The Group is currently working on a roadmap and ESG strategy to articulate its strategic approach to sustainability and how it will be embedded throughout the organisation.

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

The strategic report was approved by the Board on 15 September 2022 and signed on its behalf by:

Mike Stevenson
Chair of the Board

Report of the Board

Board members and executive directors

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

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

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

The company has insurance policies that indemnify its board directors and executive directors against liability when acting for the company.

Service contracts

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

Pensions

The Group's executive directors are members of either the Derbyshire County Council defined benefit pension fund or the Group's defined contribution pension scheme. The executive directors participate in the schemes on the same terms as all other eligible staff. The company contributes to the schemes on behalf of its employees. The Group's executive directors are entitled to other benefits such as the payment of a car allowance, and private medical insurance.

Details of the Group's executive directors' emoluments are included in note 11 to the audited financial statements.

Employment of disabled persons

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

No unnecessary limitations are placed on the type of work which disabled 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 made £1.8k in charitable donations during in the year (2021: £2.5k). 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 and has been complied with. These rules include ensuring that no more that £7.5m can be held on deposit with a single counterparty and that a minimum of 50% should be instantly accessible should this be required in an emergency. Treasury performance is reported quarterly to the Board, including analysis on the credit rating of counterparties and the forward looking funding profile. As at the 31 March 2022, 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. These rules include ensuring that no more that £7.5m can be held on deposit with a single counterparty and that a minimum of 50% should be instantly accessible should this be required in an emergency. (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 the Group's day to day operations. The Group also has a long term business plan which shows that it is able to service these debt facilities while continuing to comply with lenders' covenants.

The Ukraine conflict and associated economic impact is affecting some of our more financially stretched customers who may be struggling to pay the increased fuel and utility costs. Futures is helping by working with customers to ensure that they are receiving their full government support entitlement so that they can continue their tenancy. Customers have also been given advice if they are considering accommodating refugees within their home and close collaboration with local authorities is continuing to help with the increased demand. The Group is able to withstand the increased fuel and utility prices and is working with suppliers to minimise the adverse impact on materials delays for development and repairs.

On this basis, the Board has a reasonable expectation that the Group and subsidiaries have 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 the Group'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 2021 up to the date of approval of the annual report and financial statements.

The Board and the Group Audit & Risk Committee receive and consider reports from management on these risk management and control arrangements at meetings throughout the year.

Key elements of the control framework include:

- Board-approved terms of reference and delegated authorities for the Group Audit & Risk Committee, Remuneration Committee, Insight Committee and Asset Investment Committee.
- Clearly defined management responsibilities for identifying, evaluating and controlling of significant risks.
- Robust strategic and business planning processes.
- Quarterly review of the risk map by the Group Audit & Risk Committee.
- Detailed financial budgets and forecasts for subsequent years.
- Formal recruitment, retention, training and development policies.
- Established authorisation and appraisal procedures for all significant new initiatives and commitments.
- A sophisticated approach to treasury management which is subject to external review annually.
- An ongoing framework of reviews across the Group to ensure quality and best practice is maintained.
- Regular reporting to senior management and to the appropriate committees of key business objectives, targets and outcomes.
- A fraud policy (including whistle blowing and corruption).
- Detailed policies and procedures in each area of the Group's work.

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

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

NHF Code of Governance

The Group has adopted and complies with the NHF Code 2015 as the code of governance for the Group's registered providers in compliance with the requirements of the regulatory *Governance and Financial Viability Standard*. From 1 April 2022, the Group will be adopting the 2020 code.

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, 81% of our carbon emissions comes from FHG-controlled vehicle operations.

The comparison between SECR year 1 (2020-21) and SECR year 2 (2021-22) shows an increase in scope 1 & 2 emissions primarily due to an increase in mileage for in-house fleet and employee-owned vehicles as the company has come out of the pandemic and travel restrictions have been lifted.

Data has been received for emissions from leased assets which total 28,210 tonnes CO2e. This has not been included in the table as there is no comparator for 2020-21, however it will be included next year.

During the year, we renewed 52 electric storage heaters, replaced 645 gas boilers, replaced 114 doors and upgraded 276 windows. Also external wall insulation was installed to 21 properties via the Green Homes Grant Local Authority Delivery funding and we delivered cavity wall insulation works to 211 properties through the Energy Company Obligation 3 scheme. 125 Switchee devices were installed to help monitor the effectiveness of some of the retrofit works and also to help customers manage their energy use.

Carbon emissions table

GHG emissions and energy use data for SECR year 2 period 1 April 2021 to 31 March 2022 compared against previous SECR year 1 (2020-21)					
Emission source	**Units**	**2021-22**	**2020-21**	**Movement (% diff. to year 1)**	***Guide note:***
Energy consumption for which the organisation is responsible used to calculate emissions:					
Scope 1					
Natural gas used	kWh	1,782,794	1,466,469	x **-18%**	1
Vehicle operations	litres	915,501	119,697	x **-87%**	2
Biomass boiler	kWh	352,661	*not reported*		3
Scope 2					
Electricity (supplied from National Grid)	kWh	627,321	1,129,924	√ **80%**	4
Corresponding emissions from activities for which the company is responsible:					
Scope 1					
Natural gas	tCO2e	327	270	x **-17%**	5
Vehicle operations	tCO2e	2,300	456	x **-80%**	6
Biomass boiler	tCO2e	5	*not reported*		7
Scope 2					
Electricity (supplied from National Grid)	tCO2e	133	270	√ **103%**	8
Total gross Scope 1 & Scope 2 emissions	**tCO2e**	**2,764**	**996**	x **-64%**	**9**
Emissions intensity ratio:					
Annual turnover (corresponding reporting year)		£59,508,000	£62,254,000		10
Intensity ration: tCO2e (gross Scope 1 + 2) / £100,000 revenue	tCO2e/ £100,000	4.65	1.57	x **-66%**	11
Energy consumption for which the organisation has no direct operational control:					
Scope 3					
Emissions from purchase of electricity T&D losses	tCO2e	12	23	√ **95%**	12
Emissions from vehicles (not owned or controlled by organisation)	tCO2e	76	43	x **-43%**	13
Total gross Scope 3 emissions	**tCO2e**	**88**	**66**	x **-25%**	**14**
Total gross Scope 1, Scope 2 & Scope 3 emissions	**tCO2e**	**2,852**	**1,062**	x **-63%**	**15**
Carbon offset / tCO2e	tCO2e	0	0		16
Total annual net emissions reported tCO2e	**tCO2e**	**2,852**	**1,062**	x **-63%**	**17**

Comparation between years has been affected by lockdowns

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

Notes to emissions table:

1. Scope 1 natural gas used = kWh gas consumption used to deliver services and carry out business.
2. Scope 1 vehicle operations = fuel used in FHG owned, operated and controlled vehicles for company business activity.
3. Biomass boiler = fuel used by the biomass boiler 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).
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. Scope 3 vehicle carbon emissions based on vehicle fuel used.
14. Total scope 3 emissions.
15. Total all scope emissions.
16. Carbon off-sets that have been formally verified.
17. Resultant total carbon emissions reported).

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

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

For existing homes, the average SAP of properties (currently 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 Group's sustainability roadmap will set out how the Group intends to increase its average SAP rating and achieve a minimum of EPC C in line with government targets. The Group's 2021-22 business plan has included a new funding allocation for sustainability works of £24m to get to EPC C by 2030 and £100m to put towards becoming carbon neutral by 2050.

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

The Group moved to a new head office in Autumn 2021 with a smaller footprint and more modern build type, with improved carbon emissions and EPC rating A, compared to the previous office having an EPC rating C. The Group intends to harness benefits obtained and lessons learned from Covid-19 lockdowns and remote working to improve on its environmental impact in areas such as business mileage, energy usage, waste and office consumables.

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

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

Statement of the responsibilities of the Board

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

Company law requires the Board to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with *United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and Applicable laws)* including *FRS102, the Financial Reporting Standard* applicable in the UK and Republic of Ireland. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and surplus or deficit of the Group and company for that period.

In preparing those financial statements, the Board is required to:

- select suitable accounting policies and apply them consistently.
- make judgements and estimates that are reasonable and prudent.
- state whether applicable ***United Kingdom Accounting Standards*** and the ***Statement of Recommended Practice (SORP): Accounting by Registered Social Housing Providers 2018***, have been followed, subject to any material departures disclosed and explained in the financial statements.
- prepare the accounts on a going concern basis unless it is inappropriate to presume that the company will continue in business.

The Board is responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position and enable them to ensure that the financial statements comply with the *Companies Act 2006* the *Housing Regeneration Act 2008* and the *Accounting Direction for Private Registered Providers and Social Housing (April 2019)*. 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 27 July 2021.

The report of the Board was approved by the Board on 15 September 2022 and signed on its behalf by:

Mike Stevenson
Chair of the Board

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

Opinion on the financial statements

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the Company's affairs as at 31 March 2022 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 2019*.

We have audited the financial statements of Futures Housing Group Limited ('the Company') and its subsidiaries ('the Group') for the year ended 31 March 2022 which comprise the consolidated and Company statement of comprehensive income, consolidated and Company statement of changes in reserves, consolidated and Company statement of financial position, consolidated statement of cashflows 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 Audit Committee, we were appointed by the Group Board to audit the financial statements for the year ending 31 March 2019 and subsequent financial periods. The period of total uninterrupted engagement including retenders and reappointments is four years, covering the years ending 31 March 2019 to 31 March 2022.

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 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.

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:

- obtaining management's assessment that supports the directors' conclusions with respect to the disclosures provided around going concern including reviewing the three year forecasts.
- consideration of the forecasts prepared by management and challenge of the key assumptions based on our knowledge of the business. As referred to in going concern note in the accounting policies, management has modelled reasonably possible downside scenarios.
- in preparing the forecasts, a number of scenarios were modelled by management include a reverse stress test to analyse the impact on covenant compliance in a scenario with multiple adverse conditions. We considered the appropriateness of the scenarios and challenged management on the assumptions used.
- challenging management on the suitability of the mitigating actions identified by them in their assessment and the quantum and period ascribed to these mitigating actions. We reviewed the reasonableness of the proposed mitigations and if the mitigations were entirely in the control of management to action.
- obtaining an understanding of the financing facilities from the finance agreements, including the nature of the facilities, covenants and attached conditions and considered covenant headroom in forecasts.
- reviewing the wording of the going concern disclosures and assessing 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% (2021: 100%) of Group surplus before tax* *100% (2021: 100%) of Group revenue* *100% (2021: 100%) of Group total assets*		
Key audit matters		***2022***	***2021***
	Carrying amount of properties developed for resale	■	■
Materiality	*Group financial statements as a whole* £1,050,000 (2021: £1,450,000) based on 6.75% (2021: 6.75%) of adjusted operating surplus.		

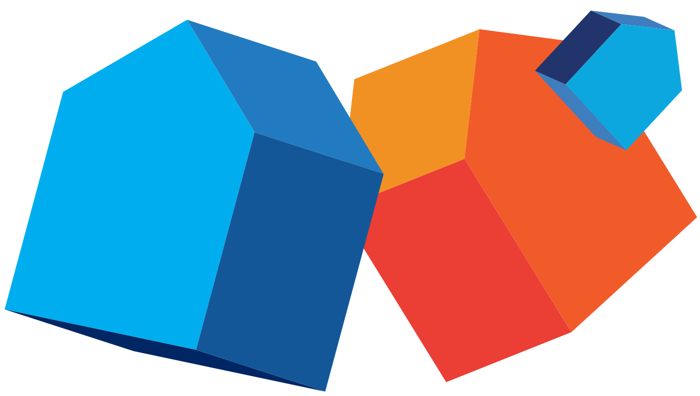
An overview of the scope of our audit

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

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

Key audit matters

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



Key audit matter		How the scope of our audit addressed the key audit matter
Carrying amount of properties developed for resale. This relates to items included in note 18 of the financial statements. This area also represents a key judgment made by management as described on page 68.	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 £4,871k. For completed properties at the balance sheet date, an assessment is needed of an anticipated selling price. For properties in development at the balance sheet date, an assessment is needed of an anticipated selling price and a determination of the expected costs to complete. Due to the level of judgement involved in estimating both selling price and costs to complete we considered there to be a significant risk that the carrying amount of properties developed for sale is misstated and was therefore a key audit matter.	Having obtained management's assessment of the net realisable value of properties developed for sale, we tested this on a sample basis. Our samples were chosen from the populations of items that represented both developments under construction as well as completed developments at year-end. For a sample of completed properties, we agreed the proceeds to supporting documentation where the property was sold post year-end. Where the property was not yet sold we obtained third-party housing market information to confirm that properties were held at the lower of cost and net realisable value. For a sample of properties under development we obtained details of the expected costs to complete from the scheme budget for that development and agreed the budgeted contracted cost of the development to the latest contract documentation. We examined supporting documentation for anticipated sales proceeds and we compared the incurred expenditure to the balance sheet date to the estimated amount at that date. We also assessed the accuracy of cost forecasting by looking at outturn costs compared to budget on schemes that completed in the year. **Key observations:** We noted no material exceptions through performing these procedures.

Our application of materiality

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

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

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

	Group financial statements		Parent company financial statements	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Materiality	1,050	1,450	210	192
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	735	1,015	147	134
Basis for determining performance materiality	70%	70%	70%	70%

Rationale for the benchmark applied

For the current and prior year we have used 6.75% of adjusted operating surplus as the basis of materiality for consolidation and 1.35% of turnover for the Company. The adjustments to operating surplus are to add back depreciation, amortisation and any Gift Aid received and to deduct capitalised repairs and fair value adjustments to investment properties which is in line with the strictest loan covenant definition. We have used this benchmark as we considered this the area of financial statements with the greatest interest to the principle users and the area with the greatest impact on investor and lender decisions.

Rationale for determining performance materiality

The level of performance materiality applied was set after having considered a number of factors including the expected total value of known and likely misstatements.

Component materiality

We set materiality for each component of the Group based on a percentage of between 1% and 95% of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from £23,000 to £1,000,000. In the audit of each component, we further applied performance materiality levels of 70% of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £21,000 (2021: £29,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The Board members are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information 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;* - *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 Association, or returns adequate for our audit have not been received from branches not visited by us; or* - *the Association financial statements are not in agreement with the accounting records and returns; or* - *certain disclosures of directors' remuneration specified by law are not made; or* - *we have not received all the information and explanations we require for our audit.*

Responsibilities of the Board

As explained more fully in the statement of the 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 is 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 intends 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:

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

In addition, the Group and Company are subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: employment law, data protection and health and safety legislation.

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

Audit response to risks identified:

- We reviewed the financial statement disclosures and tested to supporting documentation to assess compliance with relevant laws and regulations discussed above.
- We made enquiries of the Audit and Risk Committee, management and reviewed internal audit findings reports.

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

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

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

Use of our report

This report is made solely to the members of the 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

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

Date: 22 September 2022

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

Consolidated statement of comprehensive income

	Note	2022 £'000's	2021 £'000's
Turnover: continuing activities:	4	59,687	62,254
Cost of sales	4	(5,453)	(9,203)
Operating cost	4	(37,106)	(34,101)
Revaluation of investment properties	15	2,368	1,035
Surplus on sale of housing properties	6	1,494	859
Surplus on sale of other fixed assets		44	-
Operating surplus	5	**21,034**	**20,844**
Interest receivable and other income	8	70	656
Interest payable and similar charges	9	(10,248)	(10,355)
Other finance costs		(318)	(183)
Surplus before taxation		**10,538**	**10,962**
Taxation	12	455	(104)
Surplus for the year		**10,993**	**10,858**
Actuarial gain/(loss) relating to the pension scheme	10	7,989	(7,410)
Total comprehensive income for the year		**18,982**	**3,448**

The notes on pages 60 to 99 form part of these financial statements

Company statement of comprehensive income

	Note	2022 £'000's	2021 £'000's
Turnover: continuing activities:	4	**15,748**	**14,206**
Operating costs	4	(15,676)	(14,075)
Operating surplus: continuing activities	5	**72**	**131**
Interest receivable and other income	8	-	1
Interest payable and similar charges	9	(18)	(18)
Surplus on ordinary activities before taxation		**54**	**114**
Tax on surplus on ordinary activities	12	105	(21)
Surplus for the financial year		**159**	**93**

The notes on pages 60 to 99 form part of these financial statements

Consolidated and company statement of changes in reserves

For the year ended 31 March 2022

	Group 2022 £'000's	Group 2021 £'000's	Company 2022 £'000's	Company 2021 £'000's
Balance as at 31 March	51,091	47,643	(49)	(142)
Surplus for the year	10,993	10,858	159	93
Other comprehensive income for the year	7,989	(7,410)	-	-
Balance as at 31 March	**70,073**	**51,091**	**110**	**(49)**

The notes on pages 60 to 99 form part of these financial statements

Consolidated statement of financial position

As at 31 March 2022

	Note	2022 £'000's	2021 £'000's
Tangible fixed assets			
Housing properties	13	291,352	271,890
Other tangible fixed assets	14	8,066	4,170
Investment properties	15	43,547	38,131
Investment in associate	16	151	151
Investment		10	10
		343,126	**314,352**
Current assets			
Stock	17	302	150
Properties held for sale	18	4,871	7,108
Debtors	19	3,523	2,573
Short term investment		10,500	18,000
Cash and cash equivalents		131,509	58,298
		150,705	**86,129**
Creditors: amounts falling due within one year	20	(18,732)	(16,471)
Net current assets		131,973	69,658
Total assets less current liabilities		**475,099**	**384,010**
Creditors: amounts falling due after more than one year	21	(396,684)	(317,165)
Net pension liability	10	(8,342)	(15,754)
Total net assets		**70,073**	**51,091**
Capital and reserves			
Revenue reserve		70,073	51,091
Total reserves		**70,073**	**51,091**

The notes on pages 60 to 99 form part of these financial statements. These financial statements were approved and authorised for issue by the Board on 15 September 2022 and signed on its behalf by:

Mike Stevenson
(Chair)

Ray Harding
(Board member)

Company statement of financial position

As at 31 March 2022

	Note	2022 £'000's	2021 £'000's
Tangible fixed assets			
Other tangible fixed assets	14	1,516	983
Investment in associates	16	151	151
Investment		59	60
		1,726	**1,194**
Current assets			
Debtors	19	951	849
Cash at bank and in hand		902	619
		1,853	**1,468**
Creditors: amounts falling due within one year	20	(3,469)	(2,711)
Net current assets		(1,616)	(1,243)
Total assets less current liabilities		**110**	**(49)**
Capital and reserves (non-equity)			
Revenue reserve		110	(49)
Total reserves		**110**	**(49)**

The notes on pages 60 to 99 form part of these financial statements. These financial statements were approved and authorised for issue by the Board on 15 September 2022 and signed on its behalf by:

Mike Stevenson
(Chair)

Ray Harding
(Board member)

Company Number: 06293737

Consolidated statement of cash flows

For the year ended 31 March 2022

	Note	2022 £'000's	2021 £'000's
Net cash generated from operating activities	27	**28,226**	**27,733**
Cash flow from investing activities			
Purchase of tangible fixed assets		(36,185)	(29,740)
Proceeds from sale of tangible fixed assets		2,148	1,619
Short term investment		7,500	(18,000)
Grants received		1,035	4,855
Interest received		27	655
		(25,475)	**(40,611)**
Cash flow from financing activity			
Interest paid		(11,738)	(10,464)
New loans		82,818	65,768
Loan arrangement fees		(557)	-
Repayment of borrowings		(63)	(38,524)
		70,460	**16,780**
Increase in cash		**73,211**	**3,902**
Cash and cash equivalents at beginning of the year		58,298	54,396
Cash and cash equivalents at end of the year		**131,509**	**58,298**

The notes on pages 60 to 99 form part of these financial statements

Notes to the financial statements

1. Legal status

The Company is registered under the *Companies Act 2006* and is a registered housing provider. The registered office is Futures House, Building 435, Argosy Road, Castle Donington, 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 2019*.

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 2024, without the need to secure any further funding than what is already in place and secured.
- Stress testing has been carried out and reviewed by the Board on the restated business plans. The Board is satisfied that the stress testing, which includes single variant stress testing, multi-variant stress testing and determination of single variant tolerance levels, demonstrates sufficient financial strength to conclude the Group and its subsidiaries are going concerns. In reaching this decision, the Board has noted that the new business plans still meet the Group's key rules for effective financial management, are not reliant on sales income to meet loan covenants and can tolerate sufficient increases in voids, bad debts, CPI and RPI without creating a covenant breach or needing to secure extra funding over the period under review, ending March 2024.
- The Board has also considered the stress testing resilience plan in reaching its going concern conclusions. The plan sets out the point at which the Board would intervene to instigate corrective action that would steer the Group towards compliance with its key rules for financial management. The plan demonstrates the mitigation methods that would provide £47m immediate cash savings through reducing uncommitted spend and cancelling or pausing other capital projects.
- The forecast cash and covenant positions for the Group and its subsidiaries have been considered by the Board in forming its going concern conclusions. The cash positions are considered to be both the forecast cash at bank positions plus the unused secured and in place loan facilities.
- The impact of the Ukraine conflict and associated economic impact has been considered by the Board and stress tests cover any adverse impacts that may still arise. This situation is under constant review as part of the treasury report and quarterly management accounts.

The covenant positions for the Group have been considered and there is no covenant non-compliance forecast in the restated business plans over the period up to March 2024 and beyond. In addition, cash break-even point assessments have been reviewed by the Board, at subsidiary level, to obtain comfort that the cash positive cashflows have sufficient robustness within them. This review has highlighted that each subsidiary has a highly robust cash break-even position that allows all operating costs to increase by more than 100% before cash turns negative.

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

Basis of consolidation

The Group accounts consolidate the accounts of the company and all of its subsidiaries at 31 March 2022 in accordance with the principles of accounting as set out in FRS 102.

The company has adopted the following disclosure exemptions available under FRS102:

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

Public benefit entity

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

Turnover and revenue recognition

Turnover comprises:

- rental income receivable in the year
- service charges receivable in the year
- income from shared ownership first tranche sales
- sales of properties built for sale
- other services, and
- revenue grants receivable.

All of the above income is included at the invoiced value (excluding VAT) of goods and services supplied in the year.

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

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

Taxation

The Group is exempt from Corporation Tax on income and gains to the extent that these are derived from the Group's charitable objectives.

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

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

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

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

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

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

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

Value Added Tax

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

Interest payable

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

Pensions

The Group participates in the Derbyshire County Council Pension Fund, a defined benefit pension scheme managed by Derbyshire County Council, the Northamptonshire County Council Pension Fund, a defined benefit pension scheme managed by Northamptonshire County Council, and a defined contribution scheme provided by Scottish Widows. In relation to the defined benefit schemes, the current service costs and costs from settlements and curtailments are charged against operating surplus. Past service costs are spread over the period until the benefit increases vest.

Interest on the scheme liabilities and the expected return on scheme assets are included net in other finance costs and income. Actuarial gains and losses are reported in the statement of comprehensive income. Scheme assets are measured at fair values. Scheme liabilities are measured on an actuarial basis using the projected unit method and are discounted at appropriate high quality bond rates. The net deficit, adjusted for deferred tax, is presented separately from other assets on the statement of financial position. A net surplus is recognised only to the extent that it is recoverable by the Group. In relation to the defined contribution scheme, the charges for the year represent the employer contributions payable to the scheme for the accounting period.

Housing managed on behalf of other landlords

The treatment of income and expenditure in respect of housing projects managed on behalf of other agencies depends on whether the Group carries the financial risk. Where the Group carries the financial risk, all the project's income and expenditure is included in the Group's statement of comprehensive income. Where the other landlord carries the financial risk, the statement of comprehensive income includes only that income and expenditure which relates solely to the Group.

Housing properties

Housing properties are held for the provision of social housing or to otherwise provide social benefit. Housing properties are properties available for rent and properties subject to shared ownership leases. Properties are stated at cost less depreciation. Cost includes the cost of acquiring land and buildings, development costs and expenditure incurred in respect of improvements. Works to existing properties which replace a component that has been treated separately for depreciation purposes, along with those works that result in an increase in net rental income over the lives of the properties, thereby enhancing the economic benefits of the assets, are capitalised as improvements. Shared ownership properties are split proportionally between current and fixed assets based on the element relating to expected first tranche sales. The first tranche proportion is classed as a current asset and related sales proceeds included in turnover. The remaining element is classed as a fixed asset and included in housing properties at cost, less any provisions needed for depreciation or impairment.

Depreciation of housing properties

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

Following a review of the components, additional items of a capital nature have been identified: damp-proofing; electrical rewires; and external and internal wall insulation. Internal wall insulation is depreciated as part of the structure. The lives of the other additional components are shown below. This is a change in the measurement basis and has therefore been applied prospectively from 1 April 2021. Further details can be found in note 13. The Group depreciates the major components of its housing properties over the following number of years:

	Life in years 2021-22	Life in years 2020-21
Structure	100	100
Roof	50	50
Fascia	30	30
Soffit	30	30
Windows	30	30
Kitchen	20	20
Bathroom	30	30
Doors	30	30
Biomass system	20	20
Heating distribution system	25	25
Boiler	12	12
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.

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

Other tangible fixed assets

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

	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 arrangement and has deemed them to be basic financial instruments.

Financial assets

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

Impairment of financial assets carried at amortised cost

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

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

Financial liabilities

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

Investment in subsidiaries

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

Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured at amortised cost.

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

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

Creditors

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

Liquid resources: cash and cash equivalents

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

Short term investments

Short term Investments comprise of cash held in deposit accounts with notice periods ranging 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 its assets, management identify any homes or schemes, that have increasing void losses, are affected by policy changes or where the decision has been made to dispose of the properties. These factors are considered to be an indication of impairment.

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

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

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 2022, there was a total of ten unsold homes. Of these, no property exceeded six months old at the year-end. In addition, each had been sold subject to contract 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 we consider no impairment to be required.

2 Capitalisation of property development costs

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

3 Cost apportionment of development schemes

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

4 Recoverable amounts on property held for sale

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

5 Staff seconded to the Group

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

Estimation uncertainty

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

1 Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date based on the expected utility of the assets. This has resulted in additional items being capitalised: damp-proofing; electrical rewires; and internal and external wall insulation. The lives of these additional assets are disclosed in the accounting policies.

Uncertainties in these estimates relate to technological obsolescence that may change the utility of certain software and IT equipment and changes to the Decent Homes Standard which may require more frequent replacement of key components.

2 Defined benefit obligation (DBO)

Management's estimate of the DBO is based on a number of critical underlying assumptions such as standard rates of inflation, mortality, discount rate and anticipation of future salary increases. Variation in these assumptions may significantly affect the DBO amount and the annual defined benefit expenses (as analysed in Note 10).

3 Investment property valuation

Management's estimate of the valuation of the investment property is based on an independent valuation by Rupert David & Co Chartered Surveyors.

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

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)
Properties developed 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**
Total social housing	**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**

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

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

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

Group: continuing activities 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	(7,456)	(3,646)	(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	(1,249)	(629)	-	(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)**

Group: continuing activities For the year ended 31 March 2021	General housing 2021 £'000	Sheltered housing 2021 £'000	Shared ownership 2021 £'000	Total 2021 £'000
Turnover from social housing lettings				
Rent receivable net of identifiable service charges	29,619	14,480	1,159	45,258
Service income	1,293	641	5	1,939
Amortisation of government grants	919	-	3	922
Turnover from social housing lettings	**31,831**	**15,121**	**1,167**	**48,119**
Expenditure on social housing lettings				
Management	(6,054)	(2,945)	(457)	(9,456)
Services	(1,045)	(1,173)	-	(2,218)
Routine maintenance	(3,724)	(1,802)	-	(5,526)
Planned maintenance	(2,645)	(1,371)	-	(4,016)
Major repairs expenditure	(863)	(364)	(1)	(1,228)
Bad debts	(377)	(203)	-	(580)
Depreciation of housing properties	(3,841)	(1,867)	(254)	(5,962)
Depreciation of other fixed assets	(533)	(270)	-	(803)
Other	(443)	(220)	-	(663)
Total expenditure on social housing lettings	**(19,525)**	**(10,215)**	**(712)**	**(30,452)**
Operating surplus on social housing lettings	**12,306**	**4,906**	**455**	**17,667**
Void losses	**(553)**	**(89)**	**(179)**	**(821)**

5. Operating surplus

This is arrived at after charging	Group 2022 £'000	Company 2022 £'000	Group 2021 £'000	Company 2021 £'000
Depreciation of housing properties	**6,126**	-	**5,962**	-
Depreciation of other tangible fixed assets	**1,878**	**1,135**	**846**	**653**
Operating lease rentals				
Buildings	**59**	**59**	**333**	**333**
Auditors' remuneration (excluding irrecoverable VAT)				
Audit of Group financial statements	**104**	**86**	**104**	**81**
For other assurance services	**3**	**3**	**3**	**3**

6. Surplus on sale of fixed assets: housing properties

	Group 2022 £'000	Company 2022 £'000	Group 2021 £'000	Company 2021 £'000
Disposal proceeds	2,353	-	1,548	-
Carrying value of fixed assets	(859)	-	(689)	-
	1,494	-	**859**	-
The above numbers include the following for shared ownership staircasing:				
Disposal proceeds	422	-	451	-
Carrying value of fixed assets	288	-	321	-
	134	-	**131**	-

7. Accommodation in management
For the year ended 31 March 2022

	Social units	Affordable units	Shared ownership units	Supported sheltered units	Market rent units	Rent to Buy units	Total owned and managed by FHG
Opening stock	5,646	611	412	3,126	263	69	**10,127**
Additions	47	61	39	-	6	25	**178**
Reclassification	(12)	10	-	(1)	-	-	**(3)**
Disposals	(53)	(11)	(5)	-	(1)	-	**(70)**
Closing stock	**5,628**	**671**	**446**	**3,125**	**268**	**94**	**10,232**

	Owned or managed by others units	Managed not owned units	Total owned and managed units
Opening stock	24	164	**10,315**
Additions	-	1	**179**
Reclassification	3	-	**-**
Disposals	(22)	(4)	**(96)**
Closing stock	**5**	**161**	**10,398**

8. Interest receivable and other income

	Group 2022 £'000	Company 2022 £'000	Group 2021 £'000	Company 2021 £'000
Interest receivable	70	-	656	1

9. Interest and financing costs: Group

	Group 2022 £'000	Company 2022 £'000	Group 2021 £'000	Company 2021 £'000
Loans and bank overdraft	10,249	18	10,355	18

10. Employees

Average monthly number of employees expressed in full time equivalents (calculated based on a standard working week of 37 hrs)	Group 2022	Company 2022	Group 2021	Company 2021
FTEs	366	215	349	201

Employee costs	Group 2022 £'000	Company 2022 £'000	Group 2021 £'000	Company 2021 £'000
Wages and salaries	12,750	7,882	11,337	6,769
Social security costs	1,206	774	1,076	667
Pension costs	2,120	1,280	1,601	1,259
	16,076	**9,936**	**14,014**	**8,695**

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

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

Derbyshire County Council Pension Fund

The DCCPF is a multi-employer defined benefit scheme, which is administered by Derbyshire County Council under the regulations governing the Local Government Pension Scheme (LGPS), a defined benefit scheme. Triennial actuarial valuations of the pension scheme are performed by an independent, professionally qualified actuary using the projected unit method. The most recent formal actuarial valuation was completed as at 31 March 2019. The market value of the scheme's assets at that date was £35.6 million and the level of funding was 71%. The main actuarial assumptions used in the valuation were:

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

Contributions

The company paid contributions at the rate of 33.4% during the year. The cost to the company of contributions to the scheme in the period amounted to £1,029,000 (2021: £1,064,000). Members' contributions vary between 5.5% and 11.4% of pensionable pay until 31 March 2022, depending on the circumstances of the employee. Employers' contributions to the DCCPF during the accounting period commencing 1 April 2022 are at a rate of 33.4% and are estimated to be £1,072,000.

Major categories of plan assets as a total of plan assets

	2022 %	2021 %
Equities	66	67
Bonds	21	20
Property	8	8
Cash	5	5

Assumptions

The main financial assumptions used by the actuary were as follows	2022 %	2021 %
Rate of increase in salaries	3.90	3.55
Rate of increase in pensions	3.20	2.85
Discounted rate	2.70	2.00

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.

	2022 number of years	2021 number of years
Current pensioners:		
Males	21.1	21.3
Females	23.8	23.9
Future pensioners:		
Males	22.2	22.5
Females	25.6	25.8

Amounts recognised in the statement of financial position

	2022 £'000	2021 £'000
Present value of funded obligations	(51,951)	(54,349)
Fair value of plan assets	45,294	41,838
	(6,657)	**(12,511)**
Present value of unfunded obligations	-	-
Net liability	**(6,657)**	**(12,511)**

Amounts recognised in other comprehensive income

	2022 £'000	2021 £'000
Actuarial (loss)/gain in other comprehensive income	6,463	(6,041)

Analysis of the amount charged to operating surplus

	2022 £'000	2021 £'000
Current service cost	1,385	979
Past service losses	-	-
Total operating charge	**1,385**	**979**

Finance costs

	2022 £'000	2021 £'000
Expected return on pension scheme assets	841	792
Interest on pension scheme liabilities	(1,094)	(931)
Net interest charge	**(253)**	**(139)**

Movement in deficit during the year

	2022 £'000	2021 £'000
Company share of net liabilities at start of period	(12,511)	(6,416)
Movement in year:		
Current service cost	(1,385)	(979)
Past service cost	-	-
Employer contributions	1,029	1,064
Other finance costs	(253)	(139)
Actuarial gain/(loss)	6,463	(6,041)
Company share of net scheme liabilities at end of year	**(6,657)**	**(12,511)**

Changes in present value of define benefit obligation

	2022 £'000	2021 £'000
Opening defined benefit obligation (including unfunded obligations)	(54,349)	(40,229)
Current service cost	(1,385)	(979)
Past service cost	-	-
Interest cost	(1,094)	(931)
Contributions by members	(203)	(214)
Actuarial gain/(loss)	4,317	(12,721)
Past service gain	-	-
Benefits paid	763	725
Closing defined benefit obligation (including unfunded obligations)	**(51,951)**	**(54,349)**

Changes in fair value of plan assets

	2022 £'000	2021 £'000
Opening fair value of plan assets	41,838	33,813
Expected return on assets	841	792
Contributions by members	203	214
Contributions by employer	1,028	1,063
Actuarial gains	2,146	6,681
Benefits paid	(762)	(725)
Fair value of assets at end of year	**45,294**	**41,838**

Northamptonshire County Council Pension Fund

The NCCPF is a multi-employer defined benefit scheme, administered by Northamptonshire County Council under the regulations governing the local government pension scheme (LGPS), a defined benefit scheme.

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

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

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

Contributions

The company paid contributions at the rate of 35% during the year. The cost to the company of contributions to the scheme in the period amounted to £316,000 (2021: £320,000). Members' contributions vary between 5.5% and 11.4% of pensionable pay until 31 March 2022, depending on the circumstances of the employee. Employers' contributions to the NCCPF during the accounting period commencing 1 April 2022 are at a rate of 35% and are estimated to be £329,000.

Major categories of plan assets as a total of plan assets

	2022 %	2021 %
Equities	68%	66%
Bonds	18%	19%
Property	13%	13%
Cash	1%	2%

Assumptions

The main financial assumptions used by the actuary were as follows	2022 %	2021 %
Rate of increase in salaries	3.65	3.30
Rate of increase in pensions	3.15	2.80
Discounted rate	2.75	2.05

Mortality assumptions

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

	2022 number of years	2021 number of years
Current pensioners:		
Males	21.7	21.7
Females	24.0	24.1
Future pensioners:		
Males	22.7	22.8
Females	25.8	25.8

Amounts recognised in the statement of financial position

	2022 £'000	2021 £'000
Present value of funded obligations	(11,730)	(12,461)
Fair value of plan assets	10,045	9,218
	(1,685)	**(3,243)**
Present value of unfunded obligations	-	-
Net liability	(1,685)	(3,243)

Amounts recognised in other comprehensive income

	2022 £'000	2021 £'000
Actuarial gain/(loss) in other comprehensive income	1,526	(1,369)

Analysis of the amount charged to operating surplus

	2022 £'000	2021 £'000
Current service cost/total operating charge	219	144

Analysis of the amount charged to other finance costs

	2022 £'000	2021 £'000
Expected return on pension scheme assets	191	165
Interest on pension scheme liabilities	(256)	(209)
Net finance cost	**(65)**	**(44)**

Movement in deficit during the year

	2022 £'000	2021 £'000
Company share of net liabilities at start of period	(3,243)	(2,006)
Movement in year:		
Current service cost	(219)	(144)
Employer contributions	316	320
Other finance costs	(65)	(44)
Actuarial gain/(loss)	1,526	(1,369)
Company share of net scheme liabilities at end of year	**(1,685)**	**(3,243)**

Changes in present value of defined benefit obligation

	2022 £'000	2021 £'000
Opening defined benefit obligation (including unfunded obligations)	(12,461)	(9,114)
Current service cost	(219)	(144)
Past service cost	-	-
Interest cost	(256)	(209)
Contributions by members	(27)	(28)
Actuarial gain/(loss)	1,060	(3,136)
Past service gain	-	-
Benefits paid	173	170
Closing defined benefit obligation (including unfunded obligations)	**(11,730)**	**(12,461)**

Changes in fair value of plan assets

	2022 £'000	2021 £'000
Opening fair value of plan assets	9,218	7,108
Expected return on assets	191	165
Actuarial gain/(loss)	466	1,767
Contributions by employer	316	320
Contributions by members	27	28
Benefits paid	(173)	(170)
Fair value of assets at end of year	**10,045**	**9,218**

The local government pension scheme (LGPS) was closed to new entrants from 1 July 2011. From this date the company also participated in a scheme administered by Scottish Widows. This is a defined contribution scheme.

Impact of McCloud case

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

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

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

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

11. Board members, executive directors and key management personnel

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

	Group 2022 £'000	Company 2022 £'000	Group 2021 £'000	Company 2021 £'000
Basic salary	686	686	566	566
Benefits in kind	50	50	56	56
Employer's NIC	96	96	80	80
Pension contributions	136	136	128	128
	968	**968**	**830**	**830**

The emoluments of the highest paid executive director (the Group Chief Executive), excluding pension and pension equivalent contributions, were £206,467 (2021: £200,415).

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

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

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

	2022 £'000	2021 £'000
£60,000 to £70,000	10	6
£70,001 to £80,000	5	5
£80,001 to £90,000	2	4
£90,001 to £100,000	4	6
£100,001 to £110,000	5	-
£110,001 to £120,000	-	-
£120,001 to £130,000	1	1
£130,001 to £140,000	-	-
£140,001 to £150,000	-	-
£150,001 to £160,000	1	1
£160,001 to £170,000	-	-
£170,001 to £180,000	-	-
£180,001 to £190,000	-	-

	2022 £'000	2021 £'000
£190,000 to £200,000	-	-
£200,001 to £210,000	-	1
£210,001 to £220,000	1	-
£220,001 to £230,000	-	-
£230,001 to £240,000	-	-
£240,001 to £250,000	-	-
£250,001 to £260,000	-	1
£260,001 to £270,000	-	-
£270,001 to £280,000	-	-
£280,001 to £290,000	-	-
£290,001 to £300,000	1	-
	30	**25**

Board members' emoluments	Group 2022 £'000	Company 2022 £'000	Group 2021 £'000	Company 2021 £'000
S Bagshaw	3	3	3	3
J Bemrose	4	4	2	2
D Brooks	9	9	8	8
P Burke	9	9	5	5
D Cribbin	3	3	3	3
M Daunt	8	8	8	8
S Hale	12	12	12	12
R Harding	12	12	12	12
D Hook	3	3	3	3
S Hyde	12	12	13	13
K Larkin	3	3	-	-
E Lock	3	3	3	3
C McMillan	12	12	10	10
J Perry	1	1	-	-
T Slater	8	8	8	8
M Stevenson	20	20	20	20
T Taylor	-	-	4	4
S Veal	6	6	3	3
K Wooding	3	3	3	3
	131	**131**	**120**	**120**

12. Tax on deficit on ordinary activities

Group and company	Group 2022 £'000	Company 2022 £'000	Group 2021 £'000	Company 2021 £'000
Current tax				
UK Corporation Tax on surplus for the year	2	-	44	-
Adjustments in respect of prior period	(352)	-	39	-
Current tax	**(350)**	**-**	**83**	**-**
Deferred tax				
Net origination and reversal of timing differences	(111)	(111)	21	21
Adjustments in respect of prior period	2	2	-	-
Effect of rate change on opening balance	4	4	-	-
Total tax charge	**(455)**	**(105)**	**104**	**21**

Tax reconciliation	Group 2022 £'000	Company 2022 £'000	Group 2021 £'000	Company 2021 £'000
Surplus on ordinary activities before tax	10,538	54	10,962	113
Charitable activities				
Qualifying charitable donation	(147)	-	(130)	-
Surplus subject to Corporation Tax	**10,391**	**54**	**10,832**	**113**
Theoretical tax at UK Corporation Tax rate 19%	1,538	10	1,761	21
Income not taxable for tax purposes	(1,526)	-	(1,704)	-
Adjustment to tax charge in respect of previous periods	(350)	-	47	-
Adjustments in respect of prior periods - deferred tax	-	2	-	-
Fixed asset differences	(95)	(95)		
Remeasurement of deferred tax, changes in rate	(22)	(22)	-	-
Total tax charge	**(455)**	**(105)**	**104**	**21**

13. Tangible fixed assets: properties

Group	Completed housing properties: shared ownership £'000	Shared ownership properties under construction £'000	Social housing properties held for letting £'000	Social housing properties under construction £'000	Total £'000
Cost					
At 1 April 2021	31,729	4,963	269,735	20,851	**327,278**
Additions	(10)	2,396	(46)	15,480	**17,820**
Capitalised improvements	-	-	8,466	-	**8,466**
Schemes completed	3,127	(3,127)	18,467	(18,467)	**-**
Disposals	(326)	-	(3,337)	-	**(3,663)**
At 31 March 2022	**34,520**	**4,232**	**293,285**	**17,864**	**349,901**
Depreciation and impairment					
At 1 April 2021	1,173	-	53,436	778	**55,387**
Charged in year	267	-	5,858	-	**6,125**
Released on disposal	(38)	-	(2,539)	(386)	**(2,963)**
At 31 March 2022	1,402	-	56,755	392	**58,549**
Net book value					
At 31 March 2022	33,118	4,232	236,530	17,472	**291,352**
At 31 March 2021	30,556	4,963	216,299	20,073	**271,890**

Expenditure on works to existing properties: Group	2022 £'000	2021 £'000
Components capitalised	8,339	6,196
Amounts charged to statement of comprehensive income	2,141	1,228
	10,480	**7,424**

Social housing grant: Group	2022 £'000	2021 £'000
Total accumulated grant	**45,552**	**43,794**
Recognised in comprehensive income	6,439	5,531
Held as deferred capital grant	39,114	38,263
	45,552	**43,794**

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

Group	2022 £'000	2021 £'000
Freehold land and buildings	290,789	272,133

Housing properties comprise of only freehold land and buildings.

Impairment

The Group considers individual schemes to be separate income generating units (IGUs) when assessing for impairment, in accordance with the requirements of Financial Reporting Standard (FRS) 102 section 27; Impairment of assets.

14. Other tangible fixed assets

Group	Freehold depot £'000	Tools and equipment £'000	Furniture, fixtures and fittings £'000	Lifeline equipment £'000	IT and office equipment £'000	Other land and buildings £'000	Vehicles £'000	Total £'000
Cost								
At 1 April 2021	379	522	1,093	1,173	5,827	2,646	1,492	**13,132**
Additions	-	101	675	39	1,620	2,135	1,204	**5,774**
Disposals	-	-	(499)	-	(2,236)	-	-	**(2,735)**
At 31 March 2022	379	623	1,269	1,212	5,211	4,781	2,696	**16,171**
Depreciation								
At 1 April 2021	137	453	930	1,058	4,875	19	1,490	**8,962**
Charged in year	8	88	187	41	1,112	40	402	**1,878**
Released on disposal	-	-	(499)	-	(2,236)	-	-	**(2,735)**
At 31 March 2022	145	541	618	1,099	3,751	59	1,892	**8,105**
Net book value								
At 31 March 2022	234	82	651	113	1,460	4,722	804	**8,066**
At 31 March 2021	242	69	163	115	952	2,627	2	**4,170**

Other tangible fixed assets

Company	IT and office equipment £'000	Furniture, fixtures and fittings £'000	Total £'000
Cost			
At 1 April 2021	4,547	118	**4,665**
Additions	1,618	49	**1,667**
Disposals	(2,005)	-	**(2,005)**
At 31 March 2022	**4,160**	**167**	**4,327**
Depreciation			
At 1 April 2021	3,617	65	**3,682**
Charged in year	1,101	34	**1,135**
Disposals	(2,005)	-	**(2,005)**
At 31 March 2022	**2,713**	**99**	**2,812**
Net book value			
At 31 March 2022	**1,447**	**69**	**1,516**
At 31 March 2021	**930**	**53**	**983**

15. Investment properties

	Completed investment properties £'000	Investment properties under construction £'000	Total £'000
Cost			
At 1 April 2021	30,891	3,405	34,296
Additions	-	3,208	3,208
Schemes completed	994	(994)	-
Disposals	(160)	-	(160)
Cost at 31 March 2022	**31,725**	**5,619**	**37,344**
Revaluation/(impairment)			
At 1 April 2021	3,835	-	3,835
In year revaluation	2,368	-	2,368
At 31 March 2022	**6,203**	**-**	**6,203**
Carrying value			
Cost at 31 March 2022	**37,928**	**5,619**	**43,547**
At 1 April 2021	**34,726**	**3,405**	**38,131**

Investment properties were valued as at 31 March 2022 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 entity 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 2022 £'000	FHG 2021 £'000
Historic cost	30,677	29,682
Accumulated depreciation and impairment	(2,166)	(2,064)
	28,511	**27,618**

16. Group and company

Investment in joint ventures

Cost and net book value	2022 £'000	2021 £'000
At 1 April	151	151
Additions	-	-
Impairment	-	-
At 31 March	**151**	**151**

The Group has the following aggregate interests in associated undertakings:

	2022 £'000	2021 £'000
Share of fixed assets	15	5
Share of current assets	567	485
Share of current liabilities	(128)	(133)
Share of net assets	**454**	**357**
Impairment - to show movement in the year	(303)	(206)
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	2022 £'000	2021 £'000
Raw materials and consumables	302	150

18. Properties held for sale

Group	2022 £'000 Completed properties	2022 £'000 Land and properties under construction	2022 £'000 total	2021 £'000 Completed properties	2021 £'000 Land and properties under construction	2021 £'000 total
Outright sale	-	-	-	1,611	-	**1,611**
Shared ownership properties	702	4,169	**4,871**	531	4,966	**5,497**
	702	4,169	**4,871**	2,143	4,966	**7,108**

19. Debtors

	Group 2022 £'000	Company 2022 £'000	Group 2021 £'000	Company 2021 £'000
Due within one year				
Rent and service charges receivable	1,378	-	1,329	-
Less: provision for bad and doubtful debts - rents	(762)	-	(681)	-
	616	**-**	**648**	**-**
Other debtors	1,271	149	569	43
Prepayments and accrued income	1,542	488	1,356	607
Corporation Tax	94	94	-	-
Amounts due from group undertakings	-	220	-	199
Deferred tax	-	-	-	-
	3,523	**951**	**2,573**	**849**

20. Creditors: amounts falling due within one year

	Group 2022 £'000	Company 2022 £'000	Group 2021 £'000	Company 2021 £'000
Trade creditors	942	211	1,051	114
Rent and service charges received in advance	3,054	-	3,019	-
Corporation Tax	-	-	345	11
Other taxation and social security	503	334	476	303
Other creditors	1,212	51	1,009	36
Accruals and deferred income	8,831	1,279	8,818	607
Amounts owed to group undertakings	-	1,145	-	1,191
Inter-company loan	-	449	-	449
Deferred capital grant (note 22)	918	-	900	-
Right to Buy creditor	659	-	792	-
Bank loans	2,613	-	61	-
	18,732	**3,469**	**16,471**	**2,711**

21. Creditors: amounts falling due after one year

	2022 £'000	2021 £'000
Bank loans and bond finance (note 24)	358,422	279,735
Deferred capital grant (note 22)	38,262	37,430
	396,684	**317,165**

22. Deferred capital grant

	31 March 2022 £'000	31 March 2021 £'000
At 1 April	38,329	34,865
Grant received in the year	1,605	4,350
RCGF	117	37
Released to income in the year	(907)	(922)
Grant deferred from property disposals	37	-
	39,181	**38,330**
Social housing grant to be released within one year	(918)	(900)
Social housing grant to be released in more than one year	(38,196)	(37,363)
Other capital grant to be released in more than one year	(67)	(67)
	(39,181)	**(38,330)**

22a. Recycled capital grant fund

	31 March 2022 £'000	31 March 2021 £'000
At 1 April	37	-
Inputs to RCGF:		
Grant recycled from property disposals	79	37
Balance at 31 March	**116**	**37**

23. Provisions for liabilities and charges

Deferred tax	Group 2022 £'000	Company 2022 £'000	Group 2021 £'000	Company 2021 £'000
At 1 April	(11)	(11)	13	10
Amount credited to the statement of comprehensive income	105	105	(24)	(21)
At 31 March	94	94	(11)	(11)
Comprising:				
Fixed asset timing differences	(284)	(284)	(99)	(99)
Losses and other deductions	378	378	88	88
Deferred tax asset	**94**	**94**	**(11)**	**(11)**

24. Debt analysis

Group	31 March 2022 £'000	31 March 2021 £'000
Due within one year		
Bank loans	2,613	61
Due after more than one year		
Bank loans	65,048	67,661
Bond finance	295,503	213,801
Less: capitalised issue cash	(2,129)	(1,727)
	358,422	**279,735**

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

	31 March 2022 £'000	31 March 2021 £'000
Within one year	2,613	61
Between one and two years	2,160	2,613
Between two and five years	37,541	40,533
After five years	320,850	238,316
	363,164	**281,523**

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

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

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

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

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

The bank and other loans are repaid in instalments at fixed and variable rates of interest ranging from 1.45% to 6.54%. The final instalments fall to be repaid in the period 2023 to 2044.

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

Futures Treasury Plc was set up during 2018-19 as a funding vehicle for the issue of a £200m bond, of which £150m has been drawn on 8 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 24 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 24 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 2022 was £294.0m, 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 and Futures Homeway have entered into a fully cross-collateralised structure.

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

At 31 March 2022 the Group had undrawn committed loan facilities of £38.5m (2021: £43.1m). The Group's weighted average cost of capital is 3.72%.

25. Financial commitments

	Approved and contracted for		Approved and not contracted	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Expenditure on the acquisition/construction of housing properties	35,290	54,052	17,743	25,147
Repairs partnering contracts	-	-	12,298	11,157
Acquisition of other fixed assets	-	2,701	2,131	5,929
Total	**35,290**	**56,753**	**32,173**	**42,233**
Financed by:				
Borrowings	35,049	53,432	17,744	25,147
Operating surpluses	241	3,321	14,429	17,086
	35,290	**56,753**	**32,173**	**42,233**

26. Operating leases

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

Group	2022 £'000	2021 £'000
Land and buildings		
Due to expire: within one year	59	196
Due to expire: one to five years	177	236
Due to expire: more than five years	-	-
	236	**432**
Equipment		
Due to expire: within one year	-	-
Due to expire: one to five years	-	-
	-	-

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

	2022 £'000	2021 £'000
Surplus for the year	**10,993**	**10,858**
Adjustments for non cash items:		
Depreciation and impairment of tangible fixed assets	8,003	6,808
Pensions cost less contribution payable	577	(78)
Decrease/(increase) in trade and other debtors	67	1,859
(Increase)/decrease in trade and other creditors	808	(2,833)
Decrease in stock of housing	2,084	4,782
Profit on sale of tangible fixed assets	(1,538)	(859)
Amortisation of government grants	(906)	(922)
Revaluation of investment properties	(2,368)	(1,035)
Interest receivable	(70)	(656)
Interest payable	10,567	9,810
Cash inflow from operating activities	**28,218**	**27,733**
Taxation paid	8	-
Net cash inflow from operating activities	**28,226**	**27,733**

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 2022 £'000	Company 2022 £'000	Group 2021 £'000	Company 2021 £'000
Financial assets that are debt instruments measured at amortised cost:				
Rental debtors	616	-	648	-
Other debtors	1,271	149	569	43
Amounts due from group undertakings	-	220	-	199
	1,887	**369**	**1,217**	**242**

Categories of financial assets and financial liabilities	Group 2022 £'000	Company 2022 £'000	Group 2021 £'000	Company 2021 £'000
Financial liabilities measured at amortised cost:				
Trade and other creditors	1,053	211	1,051	114
Accruals	6,542	1,279	8,275	607
Right to Buy creditor	771	-	792	-
Loans	363,164	-	281,523	-
Amounts owed to group undertakings	-	1,145	-	1,191
	371,530	**2,635**	**291,641**	**1,912**

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 2022 £'000	Company 2022 £'000	Group 2021 £'000	Company 2021 £'000
Short-term money market deposits	18,000	-	55,500	-
Special interest bearing accounts	124,008	887	20,504	604
	142,008	**887**	**76,004**	**604**

The interest rate profile of the Group's loan liabilities at the 31 March 2022 was:

	2022 £'000	2021 £'000
Floating rate	12,877	12,877
Fixed rate	350,287	268,647
Total (note 21)	**363,164**	**281,523**

The financial liabilities have a weighted average interest rate of 3.72% (2021: 3.81%).
The fixed rate sums are fixed for between two and 22 years.

The debt maturity profile is shown in note 24.

29. Net debt reconciliation

	1 April 2021 £'000	Cash flows £'000	Other non-cash changes £'000	31 March 2022 £'000
Bank loans				
Within one year	(61)	61	(2,613)	**(2,613)**
Between one and two years	(3,066)	-	906	**(2,160)**
Between two and five years	(37,541)	-	-	**(37,541)**
After five years	(24,154)	-	(66)	**(24,220)**
Bond				
After five years	(212,360)	(82,262)	122	**(294,500)**
	(277,183)	**(82,201)**	**(1,652)**	**(361,035)**
Cash at bank and in hand	58,298	73,211	-	**131,509**
Total	**(218,885)**	**(8,990)**	**(1,652)**	**(229,525)**

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 £0 (2021: £579) to Access Training, a company with which the Group has a beneficial interest in respect of sponsorship of an event.

Futures Greenscape Limited

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

Transactions with non regulated Group members

During the year the company received £0 (2021: £35k), from Futures Greenscape Limited and £12k (2021: £41k) from Futures Living Limited (formerly Limehouse Developments Limited). This is allocated on the basis of staff time. The company also received £141k (2021: £123k) from Five Doorways Homes Limited. This is allocated on the basis of units managed. This income is from non-regulated Group members for the provision of central services, such as finance and HR.

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

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

Futures Homescape Limited has loans in place from Futures Finance Limited of £40.7m and from Futures Treasury PLC of £197.4m. Futures Homeway Limited has loans in place from Futures Finance Limited of

£25.1m and Futures Treasury PLC of £98.9m.

Futures Finance Limited has received loan interest from Futures Homescape Limited of £2,195k and from Futures Homeway Limited of £1,619k. Futures Treasury PLC has received loan interest from Futures Homescape Limited of £5,003k and Futures Homeway Limited of £2,501k.

Futures Homescape Limited and Futures Homeway Limited both paid £0k (2021: £1,016k and £730k) to Futures Greenscape Limited for the provision of ground maintenance services and void works. The activities of Futures Greenscape were transferred to FHL and FHW from 1 April 2021. Futures Homescape Ltd also received £59k (2021: £58k) for maintenance services from Five Doorways Homes Ltd.

Futures Homescape Limited received £0k (2021: £91k) for the provision of vehicles to Futures Greenscape Limited. Futures Homescape Limited has a loan in place to Futures Living Limited (formerly Limehouse Developments Limited) of £770k to fund the development of homes for outright sale at 1 April and has received £6k in interest payments, this load was repaid in full during the year.

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

31. Interest in subsidiaries

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

Group's registered address:
Futures House, Building 435, Argosy Road, Castle Donington, Derby, DE74 2SA

Incorporated in England and Wales

32. Post statement of financial position events

In April 2022, Futures announced that it is in early talks with bpha and Flagship Group to enter a partnership. The three organisations collectively manage over 60,000 homes in central and east England and are exploring the potential of combining their expertise and capability to enhance customer service and the provision of more homes. All three organisations have strong credit ratings - Flagship (A2, Moody's), bpha (A+, S&P), and Futures (A+, S&P), which provides a firm financial foundation for any future partnership. Should the partnership proposal go ahead, the new organisation would be led by David McQuade (Flagship CEO) who has been appointed CEO Designate. Flagship Chair, Peter Hawes, has also been appointed Chair Designate for the new organisation with Mike Stevenson (Futures Chair) and Paul Leinster (bpha Chair) appointed Designate Vice Chairs.

In May 2022 the board of 5D agreed to repay the bank load (c. £1.8m). The increase in the Bank of England base rate has reduced the loan breakage costs means that overall savings of c. £120,000 (NPV) can be achieved by repaying early. This will be completed mid Aug 2022.

Futures
Housing Group

Thank you