futures
housing group

Company Registration No.06293737
Registered with the Regulator of Social Housing No. L4502

Futures Housing Group Limited

Annual Report and Financial Statements

Year ended 31 March 2020

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Futures Housing Group Limited
Year Ended 31 March 2020

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Futures Housing Group Limited
Year Ended 31 March 2020

Board Members, Executive Directors, Advisors and Bankers

Board		Appointed	Resigned
Chair	Tony Taylor	25 May 2010	21 May 2019
	Mike Stevenson	21 May 2019	
Vice Chair	Sheila Hyde	23 September 2014	
Other Members	Lindsey Williams	18 July 2013	
	Philip Tooley	15 July 2015	18 September 2019
	Steve Hale	15 July 2015	
	Ray Harding	26 January 2016	
	David Brooks	19 July 2017	
	Tim Slater	19 July 2017	
	Mary Daunt	22 May 2018	
	Ciara Mcmillan	6 November 2018	

Company Secretary Ian Skipp

Executive Directors		
	Chief Executive	Lindsey Williams
	Group Finance and Resources Director	Ian Skipp
	Group Business Growth & Transformation Director	Marcus Keys
	Group Customer Services & Assets Director	Suki Jandu

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

Registered Number
Registered under the Companies Act 2006, No: 06293737
Regulator of Social Housing, No: 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

Futures Housing Group Limited
Year ended 31 March 2020

STRATEGIC REPORT

The Board of Futures Housing Group Limited presents its report together with the audited financial statements for the year ended 31 March 2020.

Legal Status

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

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

Subsidiaries

Other members of the Group are:

Futures Homescape Limited ("FHL") formed in 2003. Registered provider with the RSH.
At 31 March 2020 FHL owned 6,569 housing properties (2019: 6,430) for social/affordable rent, shared ownership and market rent. 2,297 of these homes are supported housing which include a lifeline service. It also manages 149 properties (2019: 136).

Futures Homeway Limited ("FHW") formed in 2007. Registered provider with the RSH.
At 31 March 2020 FHW owned 3,368 housing properties (2019: 3,358) for social/affordable rent, shared ownership and market rent. 888 of these homes are supported housing which include a lifeline service.

Five Doorways Homes Limited ("5D") formed in 2004. Not a registered provider. At 31 March 2020 5D owned 86 housing properties (2019: 86). 5D is a subsidiary of FHL.

Futures Greenscape Limited ("FGL") formed in 2011. FGL is a social enterprise business whose principal activities are grounds maintenance, property clearance and painting work, with the associated aim of training and developing its staff to equip them with skills to gain employment.

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

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

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

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

STRATEGIC REPORT CONTINUED

Employees

The strength of the Group lies in the quality and commitment of its employees. In particular our ability to meet objectives and commitments to customers in an efficient and effective manner depends on their contribution. The Group provides information on its objectives, progress and activities through regular briefings and team meetings. The Group is committed to equal opportunities for all its employees.

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 Futures Housing Group have established effective reporting arrangements between customers' representative bodies and the Boards including an Insight Committee.

STRATEGIC REPORT CONTINUED

VFM STATEMENT

1. Introduction

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

Strategic Objectives

The Group is currently operating within its Corporate Plan 2016-19 set by the Board, underpinned by a 30 year business plan. This plan has been extended for a period of one year until April 2020 when a new plan will be implemented. The corporate plan has four main business objectives shown below.

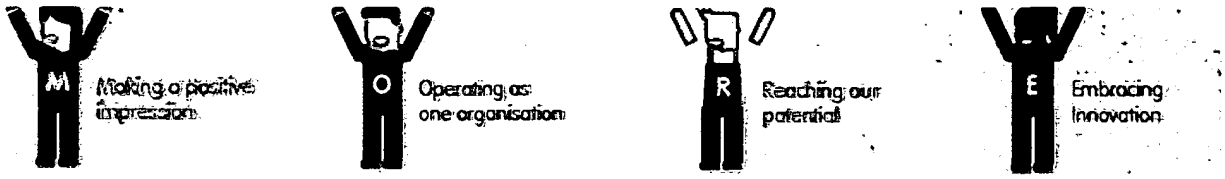
Effortless Customer Experiences
We provide effortless customer experiences.

Strong Organisation
We have a Futures Way of working which meets customers' needs.

Great Places
We provide quality affordable homes and support our customers and partners to make better communities.

Ambitious Futures
We build new homes to offer more choice to customers and find opportunities to grow and strengthen our business.

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.



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

[redacted]

STRATEGIC REPORT CONTINUED

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

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

✓ The Co-executive Team meet monthly and report on performance at a detailed level;

✓ The Board receives quarterly performance reports and a quarterly budget monitoring report;

✓ The Audit & Risk Committee, who act as VFM champion for the Board, receive 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 provide 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 against each of the corporate objectives. In sections 2 to 5 of this statement, the following information is included under each corporate objective:

- Progress review of 2019/20 VFM outcome based targets set in the 2019/20 VFM Strategy. These have been graded as 'green', 'amber' or 'red' to indicate that the target has either been met, is delayed but moving towards target since the prior year or not met. Where targets are delayed or not met, explanations have been provided.

- 2019/20 performance against internal VFM metrics and measures set by the Board

- External benchmarking to compare performance with peers, measured against a peer Group consisting of 88 organisations that are either LSVTs or traditional housing associations with 7,500 to 15,000 homes

- Where performance is not being met, an explanation of plans in place to address underperformance or, where relevant, rationale for the Group's tolerance of performance levels.

The Group has articulated, through the 'Ambitious Futures' corporate objective, the strategy for delivering homes that meet a range of needs.

STRATEGIC REPORT CONTINUED

Further information as required by the VFM standard is included in this statement as follows:

- New corporate plan and 2020/21 VFM outcome based targets set in the 2020/21 VFM Strategy, to set future direction (Section 6)
- VFM metrics set by the regulator, analysing how the Group compares to the sector (Section 7)
- Reviews to date on potential future VFM gains achievable through alternative commercial, organisational and delivery structures (Section 8)
- Analysis of non-social housing activity performance (Section 9).

2. Effortless Customer Experiences

Progress review of 2019/20 VFM outcome based targets set in the 2019/20 VFM Strategy

VFM actions	Progress to date		Status
Transformation programmes to continue into year 3 of the programme: • Income team • Repairs • Neighbourhoods • Assets • Lettings service • Shared services	**Target:** Transformations to commence and complete in line with timetable. Each transformation to include pre and post VFM review on cost, efficiency and effectiveness. Outcome of each transformation to provide evidence of VFM improvements in cost and / or efficiency and / or effectiveness.	**Outcome:** Identified £418k of sustainable annual savings since 2016 and continues to review departments as planned: • £280k Independent Living • £56k Income Team • £82k Repairs	
Enhance customer access to digital services to enable effortless experience and enhance quality of customer feedback.	**Target:** Reduce demand on more expensive methods of service (phone and email) by 10%.	**Outcome:** Online logons have increased 25% from the prior year and 1.5k (6%) of repairs were raised through My Account.	
	Target: Implement technology to automate 10% of phone calls.	The Digital Transformation project is ongoing and there have been 6k hits to the Smart FAQ tool that has been implemented. The new platform tender has been completed and a business case is being prepared to progress.	
	Target: Migrate 20% of high dependency customers to digital channels.	**Outcome:** Rather than migrate to digital channels as originally planned for high dependency customers, it has been identified that alternative approaches will have greater impact on effectiveness of service for these customers. For example, a new tenancy sustainment service, a new void standard, a new sign up process and building new data models to proactively identify customers who may need support. All of these changes address the key themes which high dependency customers have issues with. Further data will be collected to determine whether demand from this group of customers reduces over time with the new approaches implemented.	
	Target: To have 3,750 registered My Account users by 31 March 2020	**Outcome:** As at 31st March 2020 there are 4,915 registered My Account users	

STRATEGIC REPORT CONTINUED

VFM actions	Progress to date		Status
Enhance customer insight through data analytics to help shape services	**Target:** Reduce repeat calls by 10% as a result of insight to enable pro-active customer service on one contact	**Outcome:** Succeeding with pro-active customer service is dependent on the Group having the right technology in house to enable informed conversations with clients at first contact. The tender to procure this technology, Knowledgebase, closed in January 2020 and implementation is due to commence in April 2020.	
Support customers to manage their finances	**Target:** 20% of customers supported through money advice do not fall into rent arrears;	**Outcome:** 64% of customers had an improved tenant balance after receiving money advice and 37% of those customers had no arrears as at 31st March 2020.	
	Target: 5% of customers who have accessed money advice receive discretionary housing payment to support their arrears	**Outcome:** 8% of customers using Money Advice received a DHP payment.	
	Target: 95% of starter tenancies successfully converted to assured tenancies after 12 months.	**Outcome:** 94.2% of starter tenancies converted to assured tenancies.	
Reduce overall legal costs for tenancy management	**Target:** Reduce legal costs by 20% through effective case management	**Outcome:** 48% reduction compared with 2018/19	
Develop Data Warehouse within Orchard to improve customer insight and reporting analytics.	**Target:** Data warehouse to be fully populated by 31 March 2019 and utilise the outcome of research and reporting to shape future services.	**Outcome:** Power BI has been implemented that collates data from multiple sources and provides the business with real time insight such as Asset Management, Financial Expenses, Neighbourhoods, Repairs and Voids. A tender has been completed for a new Platform that will link all legacy systems to allow the frontline to access real time data that will benefit our tenants. A business case is being created for a decision to be made.	

2019/20 performance against internal VFM metrics

Measure	Result
Customer Satisfaction This is an important internal measure that helps the Group assess its effectiveness of service delivery.	Futures has enlisted a specialist company to replace the NPS survey with more detailed customer satisfaction insight. During 2019/20, 1,806 customers were contacted and 84% were either satisfied or neutral. The feedback received is more granular which allows Futures to improve services provided.
Service Failure Contacts	From Oct-19, reporting of contacts changed to provide a more holistic picture of demand. Data is now monitored through Touchpoint and

STRATEGIC REPORT CONTINUED

The total number of customer contacts logged within Orchard which have been identified as Failure Demand (i.e. where the service has not been provided for the customer when requested).	includes service failures from all contacts, including 3rd parties and contacts that are not related to FHG services. This data shows that 17.6% of all contacts received were classified as a failure demand from an average of c. 11k contacts a month. Changes on the back of this data will help Futures reduce the failure demand.

External benchmarking to compare performance with peers

External benchmarking information for frontline services is taken from Housemark, the latest available data is based on 2018/19. The Group's over-arching target is upper quartile performance at no more than median cost.

Housemark indicator	2018/19 Quartile performance	Direction of Travel	Actual 2018-19	Target met 2018-19	Actual 2017-18	Actual 2016-17
Average re-let time in days (standard re-lets)	1	⬆	15	●	28	23

Note that the figures above exclude strategically held void properties that are subject to major re-development.

3. Strong Organisation

Historic financial performance

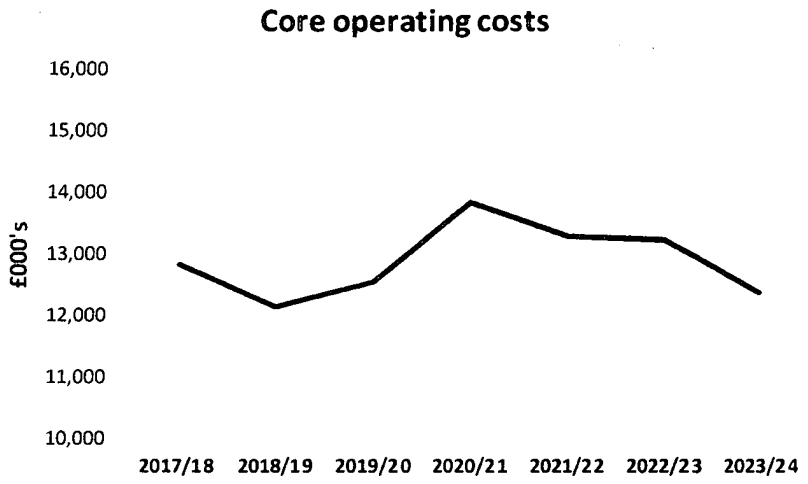
As shown in the table below, the Group has increased its financial strength over the past five years. Turnover has continued to increase, despite rent reductions, due to the Group's diversified activities and enlarged development programme. Operating surpluses have also continued to grow and the Group's asset base has also strengthened. All of these factors have helped to generate additional capacity to build more new homes.

	31-Mar 2016 (£'000)	31-Mar 2017 (£'000)	31-Mar 2018 (£'000)	31-Mar 2019 (£'000)	31-Mar 2020 (£'000)
Statement of Comprehensive Income					
Total turnover	45,637	46,577	50,195	50,592	57,824
Operating costs	(33,591)	(31,566)	(34,223)	(33,473)	(40,381)
Revaluation of investment properties	0	831	393	1,747	662
Surplus on sale of housing properties	715	1,752	816	1,207	2,915
Operating surplus	**12,761**	**17,594**	**17,181**	**20,073**	**21,020**
Operating profit %	28%	38%	34%	40%	36%
Surplus for the year transferred to reserves	12,937	8,764	11,668	7,222	20,397

	31-Mar 2016 (£'000)	31-Mar 2017 (£'000)	31-Mar 2018 (£'000)	31-Mar 2019 (£'000)	31-Mar 2020 (£'000)
Statement of Financial Position					
Fixed assets	144,519	171,004	187,375	264,470	296,234
Net current assets	9,349	6,766	8,974	25,458	47,791
Creditors over one year	(154,276)	(169,414)	(176,325)	(262,682)	(296,382)
Total net assets/(liabilities)	(408)	8,356	20,024	27,246	47,643

STRATEGIC REPORT CONTINUED

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 paramters 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 impact of inflation since 17/18 has also been eliminated to show the true underlying cost base.

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 2020/21 in strategic initiatives. After 2020/21, the Group's underlying cost base begins to reduce whilst absorbing the impact of inflation.

Forward looking financial performance: EBITDA

	31-Mar 2022	31-Mar 2023	31-Mar 2024
EBITDA MRI (£'000)	18,284	19,840	21,635
EBITDA MRI %	179%	176%	173%
Average interest rate % on debt	3.87%	3.90%	3.84%
Groupwide Net debt per unit (£'000)	25	27	29

** EBITDA MRI % = Earnings before interest, tax, depreciation and amortisation, major repairs costs included, as a % 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.

STRATEGIC REPORT CONTINUED

The average interest rate ranges from 3.84% to 3.87% over the next three years. It varies as fixed rate loans expire and are replaced with variable debt.

Loan covenant compliance

COVENANT FORECASTS		2020/21	2021/22	2022/23	2023/24	2024/25
Gearing forecast	RBS	59%	56%	56%	57%	57%
Gearing covenant		85%	80%	80%	75%	75%
Internal limit		81%	76%	76%	71%	71%
EBITDA MRI interest cover	RBS	173%	168%	190%	192%	187%
EBITDA MRI interest cover covenant		110%	110%	110%	110%	110%
Internal limit		121%	121%	121%	121%	121%
Asset Cover (Bond)	Bond	143%	143%	143%	143%	143%
Asset cover (Bond) covenant		115%	115%	115%	115%	115%
Internal limit		127%	127%	127%	127%	127%
Asset cover (Bank Debt)	RBS	218%	498%	498%	362%	280%
Asset cover (Bank Debt) covenant		110%	125%	125%	125%	125%
Internal limit		121%	138%	138%	138%	138%
Asset cover	Lloyds	224%	231%	239%	248%	259%
Asset cover covenant		105%	105%	105%	105%	105%
Internal limit		120%	120%	120%	120%	120%
EBITDA MRI interest cover	Lloyds	406%	416%	440%	500%	536%
EBITDA MRI interest cover covenant		110%	110%	110%	110%	110%
Internal limit		121%	121%	121%	121%	121%
Gross/Net financial indebtedness	Lloyds	24%	23%	21%	20%	19%
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 sufficient headroom. This demonstrates the strength of the organisation and the capacity to do more. During 20/21, the valuation basis utilised for asset cover will switch from Existing Use Value Social Housing to Market Value Tenanted. Whilst there is uncertainty in the economic environment as a result of Covid-19, the Group has stress tested its business plans and headroom remains strong under a variety of scenarios.

Progress review of 2019/20 VFM outcome based targets set in the 2019/20 VFM Strategy

VFM actions	Progress to date		Status
Operating margin to be 31% (sector average 29.9%)	**Target:** Maintaining operating profit levels to service debt to enable delivery of new homes	**Outcome:** The Group has achieved a 30.2% operating margin this year against a sector average of 25.8% in 2018/19.	
Maintain engaged and effective workforce	**Target:** Maintain high employee engagement score of at least 80%	**Outcome:** 89.6% Engagement Score	
	Target: Maintain IIP gold standard.	**Outcome:** IIP Gold Standard retained	

STRATEGIC REPORT CONTINUED

VFM actions	Progress to date		Status
Increase income from property sales	**Target:** Increase income from property sales by £6.4m compared to 18/19 full year forecast as at December '18.	**Outcome:** The Group has achieved a £5.7m increase in income from property sales.	
More investment in staff resources to deliver ambitions.	**Target:** £225k investment in new staff posts (non-repairs)	**Outcome:** £247k invested in new permanent staff posts (non-repairs)	
	Target: £523k investment in new posts for the repairs academy.	**Outcome:** 20 Apprentices currently within the programme and 4 have successfully qualified. Total annualised cost of £482k has been invested which is lower than the measure due to reduced management costs.	
Sustain high performance on rent collection	**Target:** Average current rent arrears per customer falls to £300	**Outcome:** Average balance is £350.38. Further work is ongoing, led by the money advice team and income team to reduce this figure in subsequent years.	
	Target: Recover, or justifiably write off £65k of former tenant arrears	**Outcome:** Total of £37k has been recovered and £77k justifiably written off	
Development of Digital Strategy	**Target:** Potential cost reduction for delivery of services earmarked in the strategy	**Outcome:** £23k sustainable cost reduction identified and Digital Strategy still being developed.	
Maintain G1/V1 grading from the RSH	**Target:** Grading received for financial year ending 31 March 2020	**Outcome:** G1/V1 grading maintained	

STRATEGIC REPORT CONTINUED

2019/20 performance against internal VFM metrics

Measure	Result
Outstanding Balance	Current arrears as a percentage of rent roll at the end of the financial year was 1.2% down from 1.3% in 2018-19. The number of cases in arrears has fallen by 7% from 1,700 in 2018-19 to 1,589 in 2019-20, however the average arrears has risen from £305.41 to £350.48. Arrears have continued to follow a similar trend to the previous year, albeit with a slightly smoother distribution.
	This is in part due to more customers who pay monthly choosing to pay their rent in advance rather than in arrears, preventing impacts from temporary debts.
Relets	The year end performance showed an average of 21 days to re-let, the lowest it has been in four years. The void re-let process has been revised, and roles and responsibilities re-defined which has led to increased effectiveness in the process.

External benchmarking to compare performance with peers

External benchmarking information for frontline services is taken from Housemark, the latest available data is based on 2018/19. The target is upper quartile performance at no more than median cost. This means that measures which assess effectiveness of service to cutomers are aimed to be in the upper quartile while cost measures are aimed at being either quartile 1 or 2.

Housemark indicator	2018/19 Quartile performance	Direction of Travel	Actual 2018-19	Target met 2018-19	Actual 2017-18	Actual 2016-17
Total tenant arrears as % rent due (FVA definition)	1	⬇	2.6%	●	1.2%	1.8%
Rent loss due to voids	2	⬇	1.0%	●	0.9%	0.8%
Total cost per property: estate services	2	⬇	£179	●	£138	£181
Total cost per property: housing management	1	⬆	£413	●	£438	£403
Total cost per property: major works and cyclical maintenance	2	⬇	£1,397	●	£1,353	£1,317
Total cost per property: responsive repairs and void	2	⬇	£791	●	£646	£632

All cost per units are either at median or better therefore are performing in line with targets.

STRATEGIC REPORT CONTINUED

4. Great Places

Progress review of 2019/20 VFM outcome based targets set in the 2019/20 VFM Strategy

VFM actions	Progress to date		Status
Component replacement and reinvestment in housing stock	**Target:** 900 homes to receive works during 19/20 to maintain decent homes compliance.	**Outcome:** All 900 homes planned to have component replacements and reinvestments were completed during the year. In addition, a further number of homes had components replaced that were nearing the end of their useful life in order to maintain efficiency.	
Ensure void properties are re-let within an average of 20 days	**Target:** 100% of relets within 20 days (average letting time across all major and minor voids)	**Outcome:** Average relet time was 21 days which is above target but continues to reduce. Actions are being taken to reduce the time in Daventry.	
Actively manage FHG stock by appraising housing stock/garage sites for reinvestment or disposal.	**Target:** change use of poor performing assets to enhance social and/or financial returns	**Outcome:** Mountbatten House remodelling due to complete in 2020/21. 238 garage sites identified to be demolished over the next two years. 26 plots of land under ownership being appraised as potential development opportunities.	
Support the local economy through engagement with SME contractors and local suppliers	**Target:** Over 80% of the Group's suppliers from within a 25 mile radius of operating areas	**Outcome:** 70% of the Group suppliers are from within a 25 miles radius. Within the Amber Valley area this is 89% and engagement being made with suppliers in Daventry.	
To extend job skills and work experience opportunities and apprenticeships for customers and existing/ new employees	**Target:** 10% of workforce on an apprenticeship programme	**Outcome:** 11% of workforce on an apprenticeship / graduate programme.	
	Target: 25% of vacancies filled by internal staff	**Outcome:** 24% of vacancies filled by internal staff.	

STRATEGIC REPORT CONTINUED

2019/20 performance against internal VFM metrics

Measure	Result
Repeat Repairs The total number of repairs raised where a repair of the same SOR has been practically completed at the same property within 60 days prior.	Of the 32,846 responsive repair jobs raised for the year, 2,210 were repeat jobs raised (6.7% of jobs) which is consistent with the previous year and is in line with the tolerance level set which is 2,748 per annum. Work is continuing to understand what factors are causing repeat repairs in order to reduce the need to return to the same property multiple times following completion of works.
Gas Compliance The number of instances where annual gas servicing has exceeded the 1 year timescale	As at 31st March, there were 10 properties that were not serviced within their anniversary date due to customers not allowing access following Government social distancing advice due to the Covid-19 pandemic. Prior to the pandemic, there was only 1 property that was serviced outside of its 12 month anniversary date.
Fire Risk Assessments	There are no overdue Fire Risk Assessments as at 31st March 2020.
Legionella Risk Assessments	All Legionella risk assessments and actions are up to date as of 31st March 2020 with the next assessments due in January 2022. Ongoing monitoring of water flushing of infrequently used outlets and temperature checks are undertaken by Greenscape and any out of range temperatures are investigated.
Electricity Installation Condition Report	As at 31st March, there are 53 properties that were unable to be completed as part of the 2019/20 programme due to the Government Covid-19 lockdown. These will be incorporated into the 2020/21 programme.
Asbestos Checking	No inspections or actions overdue as at 31st March 2020 with the next inspections due in September 2020.
Lifts Servicing	As at 31st March 2020, all servicing and inspection are up to date with no outstanding actions.

Return on assets

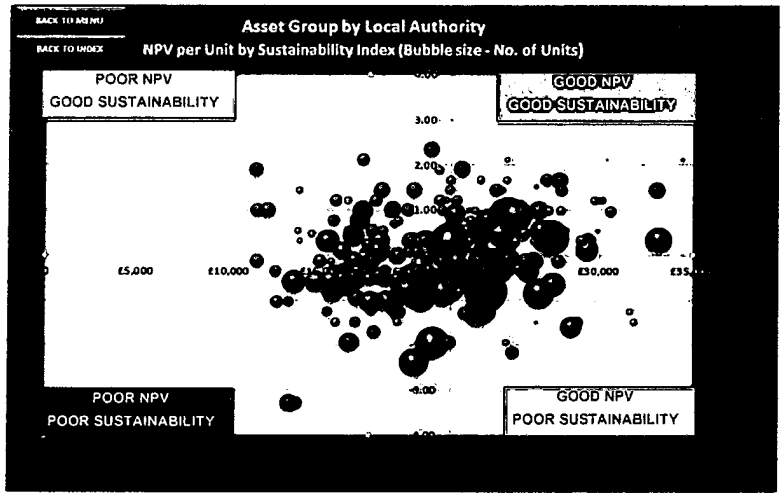
The Asset Performance Evaluation ('APE') system holds quantitative and qualitative data for all homes. Quantitative data is an individual Net Present Value ('NPV') calculation for each property and qualitative data is shown in the following table.

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

STRATEGIC REPORT CONTINUED

Sustainability area	Qualitative measures
	& demand / Garage availability / Open space / Development potential / Community feeling

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



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

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

Strategic considerations

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

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

STRATEGIC REPORT CONTINUED

External benchmarking to compare performance with peers

Housemark indicator	2018/19 Quartile performance	Direction of Travel	Actual 2018-19	Target met 2018-19	Actual 2017-18	Actual 2016-17
Average number of calendar days to complete repairs	2	↓	11	●	9	6
Percentage of repairs completed at the first visit	3	↓	93.5%	●	95.9%	94.7%
Average SAP rating	3	↑	71	●	69	69
Percentage of dwellings with a valid gas safety certificate	n/a	→	100%	●	100%	100%

The Group's average SAP rating is 71 due to the age profile of a large proportion of stock. The average SAP rating will not increase unless there is significant investment in areas such as ground source heat pump, external wall insulation and PV/Solar panels. The Group has chosen to invest more in new development than on works such as these as despite the SAP ratings, homes are still of a quality consistent with the current regulatory requirements and an enhanced internally defined standard. Should the regulatory requirements change, then business plans will be re-modelled to ensure sufficient cash is allocated to work required by regulation.

The Group will continue to explore energy efficiency through available funding sources, securing grants through government and/or utility company sponsored schemes to improve the stock performance where economic to do so. The Group will continue to explore the value and appropriateness of new solutions for improving the energy efficiency of FHG's properties with poor performing heating types, properties that are 'off gas' and those with solid, uninsulated external walls.

For the average number of calendar days taken to complete repairs, and for the percentage of repairs completed right first visit, the Group expects these metrics to improve when the current ongoing repairs transformation is completed.

5. *Ambitious Futures*

Progress review of 2019/20 VFM outcome based targets set in the 2019/20 VFM Strategy

VFM actions	Progress to date		Status
Actively seek out inorganic business growth opportunities, such as large scale stock acquisitions and/or merger opportunities	**Target:** Evaluate options for enlarging asset base with a view to reducing operating costs and increasing borrowing capacity to deliver more new homes	**Outcome:** The organisation has set its management costs and associated staffing levels to accommodate being a circa 11,000 unit housing association. Stock rationalisation opportunities and other growth opportunities have continued be reiewed during the year.	
Finalise plans for the central office	**Target:** Promote agile working, reduction in office costs and recruitment costs.	**Outcome:** 11% reduction in office costs and 3% reduction in recruitment costs from 2018/19 **Outcome:** £25k technology investment at Asher House to promote agile working and support the cultural shift.	
	Target: Promote agile working, enhance ability to retain key staff and succession plan for key roles	**Outcome:** Resource plan in place and will be revised on confirmation of office space timelines.	
Organic growth in new homes to be delivered and expansion of diversified tenures.	**Target:** 1,000 new homes developed of mixed tenureover the period April 2015 to March 2020	**Outcome:** 966 new homes delivered over the period April 2015 to March 2020 with 50% being affordable/social tenures and the remainder being a mixture of market led offerings such as outright sales, shared ownership, market rent and rent to buy.	

2019/20 performance against internal VFM metrics

There are no further internal VFM metrics set for ambitious futures in 2019/20. Outcome based targets have been set for 2020/21 as shown later in this section.

External benchmarking to compare performance with peers

Housemark indicator	2018/19 Quartile performance	Direction of Travel	Actual 2018-19	Target met 2018-19	Actual 2017-18	Actual 2016-17
Standard units developed as a percentage of current stock	1	➡	2.5%	●	2.5%	1.9%

STRATEGIC REPORT CONTINUED

6. NEW CORPORATE PLAN AND 2020/21 VFM OUTCOME BASED TARGETS

Key Objectives

The new corporate plan has been launched to cover the period 2020-2023. Value for Money underpins the new corporate plan. In summary, the new Corporate Plan vision is:

Great places

Great services

Great tomorrows

The new plan contains four key objectives:

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.
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.

STRATEGIC REPORT CONTINUED

Underpinning the key objectives are five strategies which have value for money targeted outcomes embedded within them. The tables below show the new value for money targeted outcomes from the new corporate plan strategies.

Strategy	Aim	Proposed VFM Targets and Outcomes
Growth *To identify and facilitate organic and inorganic geographic and service offer growth opportunities*	An enlarged asset base will help reduce management costs per unit and help increase borrowing capacity.	**Economy, Efficiency, Effectiveness:** A reduction in the management costs per unit. An increase in borrowing capacity.
	Development appraisal parameters are maintained in order to deliver financially viable schemes, or for social/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.
	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.
	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.
	The financial capacity to maintain a development programme of c300 home p.a. is maintained.	**Efficiency:** Liquidity is managed in line with the Treasury Policy
Business Change *To transform into an agile, adaptive organisation delivering effective, low effort services at the lowest cost to serve.*	Transformation Programmes to demonstrate pre & post VfM review of and improvement in cost, efficiency & effectiveness as appropriate.	**Economy, Efficiency, Effectiveness:** Identify improvements in cost and/or efficiency and/or effectiveness as appropriate for each transformation completed.
	Successful implementation of the Workspace Project	**Efficiency, Effectiveness:** Successful transfer of staff to the new office / touch down points and encouraging staff to work in a flexible manner appropriate to the business need. **Efficiency:** Retention rate of team members.
	Delivery of a 'fit for the future' workforce	**Effectiveness:** Number of successful completions of apprenticeship and graduate programmes. **Effectiveness:** Succession plans for leadership roles in place and actively managed. **Effectiveness:** Skills matrix in place and used to identify skills and expertise required by the Group. **Efficiency:** Maintain 80% employee engagement survey results, indicating engaged workforce. **Efficiency:** Increase the number of mental health first aiders in place across the Group.
	Maintain the IIP Gold Standard achieved.	**Effectiveness:** IIP Gold Standard maintained.

STRATEGIC REPORT CONTINUED

Strategy	Aim	Proposed VFM Targets and Outcomes
Digital *Enable customers to consume digital services by choice, also applying the culture, processes, business models & technologies of the internet era to respond to partners and customers raised expectations*	Customer Satisfaction Score via digital / automated contacts	**Effectiveness:** Increase in satisfaction via Digital channels.
	Continual reduction in demand of more expensive methods of customer contact.	**Efficiency, Effectiveness:** Reduction in calls as a proportion of the total properties managed.
	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.
Customer *To have a clearly defined customer offer delivered through effortless customer experiences.*	Reduce failure demand and increase right first time customer service.	**Effectiveness:** Year on year reduction in failure demand and right first time service.
	Decrease tenant debt	**Efficiency, Effectiveness:** 10% of customers supported through Money Advice do not fall into rent arrears.
	Increase customer engagement & perception of our services.	**Effectiveness:** Output data from My Voice, Customer Insight Committee and Watermelon shows increased trend in customer engagement and positive customer perceptions.
	Gateways and other work & training programmes to increase number of customers helped back into employment.	**Effectiveness:** Increase in number of customers helped back into employment.
Assets *To ensure our housing stock meets all standards and the needs of our current and future customers*	Asset maximisation programme to focus on lowest performing assets.	**Effectiveness:** Present options available to Group Directors during 2020/21 for a proportion of low value assets.
	Van fleet replacement to reduce current running costs per van + carbon footprint	**Economy, Efficiency, Effectiveness:** Reduction in running costs and carbon emissions per annum of van fleet.
	Stock is 100% compliant with the Decent Homes Standard	**Effectiveness:** 100% surveyed stock that is decent homes compliant and compliant with other health and safety and regulatory standards.
	Clear stock condition data investment requirements.	**Economy, Efficiency, Effectiveness:** Business plan includes all stock condition data investment requirements to ensure money is spent efficiently.
Financial VfM Metrics *To ensure economy and efficiency are considered in the allocation of resources employed to undertake all activities and operations in the most effective manner.*	Credit agency rating maintained at A to allow the Group to secure access to capital markets funding at reasonable prices.	**Economy, Effectiveness:** Credit rating of at least A
	RSH accreditation to be no less than G1 V2 to allow the Group to stretch borrowing capacity.	**Economy, Effectiveness:** Minimum G1/V2 grading
	These are Sector Wide VfM Metrics which have been prescribed by the Regulator of Social Housing and is used to compare housing associations on a consistent basis. Futures aims to achieve a median level (at a minimum) for these metrics.	**Economy, Efficiency:** Reinvestment % (Median is 6.0%)
		Economy, Efficiency: New supply delivered % (Median is 1.2%)
		Economy, Efficiency: EBITDA MRI Interest Cover % (Median is 206%)
		Economy, Efficiency: Headline social housing cost per unit (Median is £3,400)

STRATEGIC REPORT CONTINUED

Strategy	Aim	Proposed VFM Targets and Outcomes
		Economy, Efficiency: Operating Margin % (Median is 32.1%)
		Economy, Efficiency: Return on capital employed % (Median is 4.1%)

STRATEGIC REPORT CONTINUED

7. Regulator of Social Housing VFM metrics

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

Gearing is above the sector median. This is primarily as a result of the Group's fixed asset values being low when compared to the sector average. The majority of the housing stock is an average gross cost of £17k per unit, being the initial transfer price plus subsequent major improvement works. As the Group builds more new homes over the forthcoming years, the gearing will reduce. A more relevant measure of gearing for the Group is the gearing covenant set by the funders. As shown in the covenant forecasts of section 3 of the VFM statement, there is sufficient headroom on this covenant. Note that the basis for calculation for the below are based on Regulator definitions and differ from the calculation basis of the funding covenants on page 12.

	FHG 2017/18	FHG 2018/19	FHG 2019/20	FHG 2020/21 Forecast	Global Accounts 2018/19 Median
Reinvestment % Efficiency measure	[redacted]	[redacted]	[redacted]	[redacted]	6.2%
New supply delivered % (Social housing) Effectiveness measure	[redacted]	[redacted]	[redacted]	[redacted]	1.5%
New supply delivered % (Non social housing) Effectiveness measure	[redacted]	[redacted]	[redacted]	[redacted]	0.0%
Gearing % Efficiency measure	[redacted]	[redacted]	[redacted]	[redacted]	43.4%
EBITDA MRI interest cover Efficiency measure	[redacted]	[redacted]	[redacted]	[redacted]	184%
Headline social housing cpu Economy measure	[redacted]	[redacted]	[redacted]	[redacted]	£3,695
Operating Margin % Social housing lettings Efficiency measure	[redacted]	[redacted]	[redacted]	[redacted]	29.2%
Operating Margin Overall Efficiency measure	[redacted]	[redacted]	[redacted]	[redacted]	25.8%
Return on capital employed	[redacted]	[redacted]	[redacted]	[redacted]	3.76%

cpu = cost per unit

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

STRATEGIC REPORT CONTINUED

Global Accounts 2019	Lower Quartile CPU £000's	Median CPU £000's	Upper Quartile CPU £000's	FHG 2018/19 £000's	FHG 2019/20 £000's	FHG 2020/21 £000's	Cost increase/ (decrease) to reach median £'s
Headline Social Housing CPU	3.09	3.62	4.60				
Broken down into:							
Management CPU	0.83	1.00	1.27	1.04	1.13		(1,351,130)
Service Charge CPU	0.24	0.40	0.72				1,569,200
Maintenance CPU	0.86	1.01	1.25				627,610
Major Repairs CPU	0.62	0.84	1.09			0.92	76,710
Other Social Housing CPU	0.10	0.22	0.43			0.33	856,600

FHG's management costs per unit have increased since last year and £1.3m reduction in management costs would be required for the Group to reach median levels. It is expected that by 31 March 2021, the Group's management cost per unit will reach median levels as the group continues to grow its stock base. Over the next corporate plan period, the Group intends to deliver at least 900 new homes.

8. Reviews to date on potential future VFM gains achievable through alternative commercial, organisational and delivery structures

A number of alternative delivery structures have been reviewed by the Board to consider potential VFM gains. In addition, changes to the Group's operating model have been also been made to drive VFM.

Corporate restructure

Following the move to a single co-terminous board, the Group has now commenced a corporate structure review with the intention of simplifying the Group structure. It is envisaged that the two main registered providers and the grounds maintenance company will merge into one entity, reducing the Group structure by three companies. This will lead to efficiency and economy savings, particularly in the areas of governance and financial reporting.

Group-wide financing arrangement

The Group refinance that was completed in 2018/19 continues to deliver enhanced borrowing power of FHL and FHW to meet growth ambitions. Further refinances are planned to continue development of new homes and investment in existing stock. The Group's average borrowing costs have reduced which also contributes to increased financial strength.

Repairs academy

A Repairs Academy has been established which delivers on training and apprenticeship ambitions. 40 apprentices have been recruited during 19/20 and are working alongside the Group's in house repairs team to develop skills. It is envisaged that over time, as apprentices become qualified and experienced, further work can be brought in house that is currently outsouced, saving VAT on labour costs.

STRATEGIC REPORT CONTINUED

Acquisitions

The Group has not completed on any stock rationalisation acquisitions during the year, but has bid for various opportunities which were not secured due to competition in the market place. All new opportunities that meet the Group's aspirations for geographical location/tenure etc will continue to be reviewed and if they meet the Group's internal financial parameters, then bids will continue to be placed.

Mergers

The Group actively seeks and reviews potential merger opportunities. Opportunities are only pursued if they can potentially lead to greater financial strength and the ability to develop a greater number of new homes than would be delivered if the Group continued to operate independently.

Robotic Process Automation Technology

The Group is in the process of piloting its first automated process utilising robotic technology that allows the direct debit process to run 24 hours a day, 7 days a week, saving circa 17 hours of staff time per week. Should this project prove to be successful, the Group intends to roll this out to other processes over the next two years.

9. 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 three 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
Profit from property sales						
RTB/RTA	816	946	2,915	1,440	590	532
Shared ownership	248	1,881	590	2,207	1,565	560
	1,064	**2,826**	**3,505**	**3,648**	**2,155**	**1,092**
Profit from diversified activity*						
Outright sales	308	40	655	888	255	-
Market rent	455	879	890	1,668	1,700	1,734
	1,828	**3,744**	**1,545**	**6,204**	**4,110**	**2,826**

** 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. See section 5 on 'Ambitious Futures' that demonstrates the Group's new homes delivery targets. Whilst there are costs associated with diversified activities, they all show to be 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

STRATEGIC REPORT CONTINUED

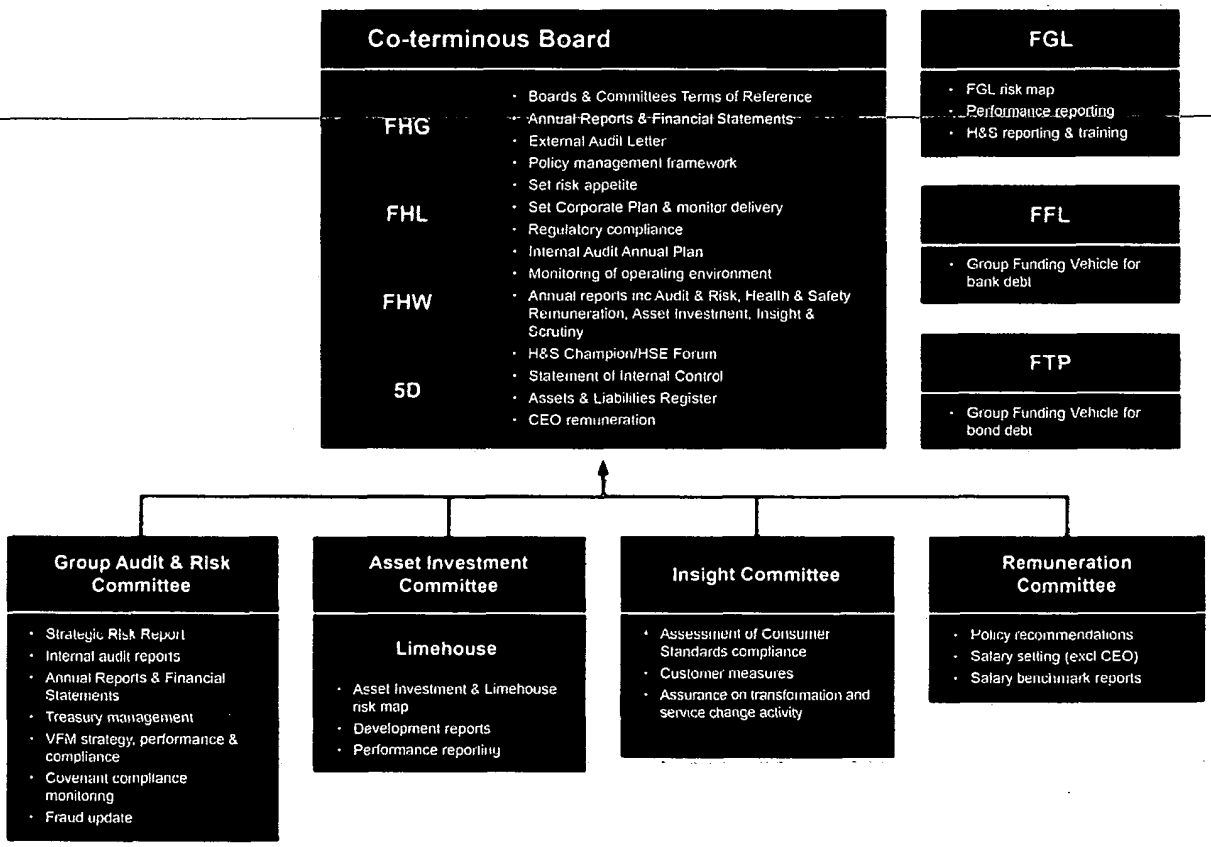
months away and sufficient unencumbered stock exists to raise the new debt required by the business plans. In addition to these controls, the Group has in place a £7.5m outright sales exposure cap to ensure that any risks associated with declines in property markets can be contained. The Board regularly reviews this limit and may change it in the future.

END OF VFM STATEMENT

STRATEGIC REPORT CONTINUED

Governance

The Group operates a Co-terminous Board, consisting of the boards of FHL, FHW, FHG and 5D. FGL, FFL, FTP and LHD operate separate boards. The diagram below illustrates the governance structure and assurance map.



To support the Executive Team and Boards, a Co-Executive Team exists comprising of the Executive Team and other Directors and senior managers across the business. This team meets regularly to drive and scrutinise performance. A Strategy Steering Group is also in place to drive through strategy implementation.

STRATEGIC REPORT CONTINUED

External environment

RSH
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 are able to demonstrate that they manage the Group under the principles of co-regulation underpinned by a robust governance framework. Following an in-depth assessment in 2019 the Group has continued to maintain the highest G1/V1 regulatory rating.

Coronavirus
To mitigate the risk of disruption to services, customers and staff health and safety, the Group's business continuity plan was instigated on 2 March 2020. The Group's response was being led by a tactical team, reporting into a strategical team for decision making. The tactical team were meeting (virtually) frequently and were utilising the pre-existing pandemic business continuity plans to respond to this specific issue. The Group is now returning to 'business as usual' so the tactical team has completed their role.

In an ever changing situation, actions are evolving daily. At the time of writing this report, actions are in line with, and in compliance with, current government guidance. The fundamental objectives are to minimise the spread of the virus, to have regard to the duty of care owed to the Group's employees and, as appropriate, to maintain a 'business as usual' service to the Group's customers. Where service levels have needed to be reduced, actions have been put in place to ensure that the health and safety of customers, employees and contractors is maintained.

Regular briefings have been provided to the Board to ensure that they are fully engaged with the Group's response to the pandemic. All aspects of the organisation are being considered.

The business continuity planning exercises that are regularly undertaken and reviewed are proving to be invaluable in supporting the actions the Group is taking. The well embedded agile working practices are enabling critical actions such as home working to be instigated seamlessly. Actions taken to date include:

- FAQs issued to customers and staff to act as guidance on topics;
- Screening of customers to assess the potential risks to employees and the response to be provided by the Group;
- Reduction in planned works to enhance the capacity of the workforce and ensure planned works are not cut short mid-way through;
- Reduction in responsive works with the exception of those urgent, emergency works that are required to make homes safe for the customer;
- Identification of critical services and vulnerable customers to support resource planning;

STRATEGIC REPORT CONTINUED

- Cancellation of non-essential events and reduction of face to face meetings;
- Identification of vulnerable employees due to underlying medical conditions and caring responsibilities;
- Delivery of comprehensive communications to customers and staff, including daily briefings on the external website and internal intranet;
- Producing a detailed risk map that is regularly reviewed by the Audit and Risk Committee
- Obtaining Business Continuity Plans for key suppliers and contractors and consideration of their impact on the Group's supplies and services;
- Consideration of any financial implications through:
    - Enhanced short term liquidity monitoring controls that have been implemented so that trends in income collection methods can be monitored daily;
    - Enhanced stress testing to assess the impact of cash availability under scenarios such as the impact of downward pressure on the Group's various income streams;
    - Assessment of trends and stress testing outputs on the Group's short term and medium-term funding strategy;

The Group has factored in a consideration of events after 31 March 2020 to ensure that any financial effects of the pandemic have been incorporated appropriately into the reported financial position. For example, the Group has considered impairment of its market rent investment properties that are valued at current market value and has considered the valuation of unsold shared ownership and open market sales homes held on the Statement of Financial Position. In respect of going concern, the Group has in place sufficient short-term liquidity, and has sold the £50m retained bond in June 2020. The Group has taken mitigating actions such as pausing new development spend and other non-essential capital spend. These mitigating actions will remain in place until it is deemed appropriate to relax them. There are no threats to compliance with existing funding covenants and this has been rigorously tested under various stress testing scenarios.

Further specific risk management information in respect of Coronavirus is detailed in the risk section of this report.

Brexit
The UK left the European union on 31 January 2020 but the future EU-UK relationship has yet to be determined during the transition period, originally due to end on 31 December 2020. However the coronavirus pandemic has meant that delays in negotiations will be incurred and therefore uncertainty is likely to continue for longer. During the transition period, the UK will continue to follow all of the EU's rules and its trading relationship will remain the same.

There are numerous implications that Brexit may have over the long term to the Group. Risks have been identified on the strategic risk register and controls and sources of assurance have been put in place. These are included in the risk section of this report. Risks continue to be monitored by the Board and the Audit and Risk Committee. Both the previous corporate plan and the new corporate plan are fully supported by a robust financial plan that has been rigorously stress tested to accommodate potential financial risks arising from Brexit.

In terms of its supply chain, the Group has classified its contractors and applied a high, medium or low risk ranking which has been based on value of the contract, material supply chain impact

and labour supply chain impact. Work has been ongoing with suppliers to mitigate risk through regular communication and monitoring the financial status of suppliers so that early warning signs are detected. One aspect to risk mitigation is proactively sourcing alternative suppliers should the need arise through use of national consortiums and frameworks that are already in place.

Health and safety of homes
The RSH has published their annual consumer regulation review. One of its key messages was that complying with health and safety obligations remains the most fundamental responsibility for governing bodies of registered providers. In addition, that is essential that registered providers can demonstrate that they are meeting their health and safety obligations, and that tenants are not at risk in their homes. The Group can demonstrate that it understands its statutory responsibilities with regards to fire safety, gas safety, lift safety, legionella, asbestos and electrical safety, whether stock is owned, managed or leased. The Group's Asset Investment Committee overseas the Health and Safety compliance, as well as there being a Health and Safety forum in operation across the business and a Repairs and Assets Group. Information is also reported to the Group Board.

Voluntary right to buy
The government's voluntary right to buy ('VRTB') pilot in the Midlands ended in March 2020. This scheme offered up to 100% reimbursement of discounts awarded to customers exercising their voluntary right to buy. FHG has fully secured reimbursements for 14 VRTBs completed during 19/20.

Future funding of supported housing
The government have confirmed that housing benefit will be kept in place to fund supported housing. Supporting people contract income is still received from local authorities however the amounts have reduced over the past few years and is now in the region of c£100k per annum.

Rent policy
The new government rent formula has been applied from 1 April 2020; the 1% rent reductions end for social and affordable rents and they are now permitted to increase by CPI plus 1%. FHG also applies the permitted rent tolerances to the calculation of social rents, being 5% for social rents and 10% for supported housing. For those customers not already at full target rent plus tolerance, their rents only increase in line with CPI plus 1% as stated in the rent regulations. New social rent tenants are set at formula rent plus full tolerance.

There are numerous services and activity lines delivered by the Group that require investment to be made and have direct benefit to customers. The Group has therefore utilised rent tolerance to support these initiatives, such as money advice, employment and training, digital services, lifelines, tenancy sustainment support services and increased housebuilding.

STRATEGIC REPORT CONTINUED

Welfare Reform

The government's plans to reform the welfare system are continuing, albeit against a backdrop of lobbying against the proposed changes. Despite the welfare changes that have already happened, the Group continues to manage the issue robustly with a focus on customer debt prevention. The actions taken by the Group have delivered exceptional rental arrears performance with current customer rent and service charge arrears (net of provision for bad and doubtful debts) as a percentage of rent and service charges due being 1.29%. It is recognised however that the welfare system changes, and the coronavirus pandemic, are likely to increase rental arrears across the Group. Risk mitigation in respect of welfare reform is detailed in the risk section of this report.

Risk and Uncertainties

The main risks that may prevent the Group achieving its objectives are considered and reviewed annually by the Co-executive and Board 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 in order to support corporate objectives.

STRATEGIC REPORT CONTINUED

Corporate risks

The key corporate risks are outlined in the following table.

RISK	ACTIONS TO MITIGATE RISK
Coronavirus FHG services cannot be delivered BAU Contractors cannot deliver services Team member absence Service delivery impacted by customer, press and other stakeholder queries Customers report suspected/actual diagnosis of Covid-19 Legal action taken by team member or external party post incident	▪ Weekly flash data provided to the Board to enable effective and timely decision making ▪ Business Continuity Plan invoked, tactical team convened re critical activities and weekly meetings established. This will continue to be reviewed and adjusted depending on unfolding government advice and conditions affecting FHG operations. 13/3/20 Tactical team expanded to include non critical activities in response to anticipated longer term incident. ▪ All back-office staff to work remotely ▪ Continual monitoring of government guidance and approach adopted as appropriate ▪ Guidance issued to staff ▪ FAQs developed and issued for customers, team members and contractors ▪ Website message posted re government advice ▪ NHS posters to be to go in communal areas/kitchens in schemes ▪ Hand sanitiser to be maintained in schemes (dependent on stock availability) ▪ Comprehensive business plan scenario planning ▪ All team members assigned as critical workers have remote working capability ▪ ICT increased issue of equipment to support remote working e.g. screens ordered and prioritised for issue ▪ Appropriate PPE stocks maintained ▪ Cleaning increased in schemes with communal bathing facilities ▪ Community Centres and communal areas closed where possible ▪ Temporary lifeline installed at homeless schemes to reduce staffing demand ▪ Contacting other RPs to share/exchange services in shortage areas ▪ Tactical team to contact critical contractors/suppliers ▪ Local Authorities contacted re joint working in the event of an incident/diagnosis ▪ Customer Services contingency plan set up ▪ FAQs include personal hygiene guidance on entering/leaving customer premises ▪ The Incident Register and Contractor Register will be used to identify homes affected to prevent unnecessary contact or service delivery. ▪ Risk assessment being undertaken on front line services to identify opportunities for customer screening – key questions to be developed for implementation at key contact points e.g. booking a visit by phone, operative arrives at home ▪ Policy on customer refusal to comply with screening – health and safety related services only to be provided (agreed Strategic Team 13/3/20) ▪ Business plan reforecasting and stress testing ▪ Stress testing mitigation plan implemented, to pause major capital expenditure not yet committed ▪ See also risk entitled 'Economic Climate'.
Welfare Reform Risk of loss of cash through non payment of rent that may affect the company's ability to remain a going	▪ The Board monitor arrears performance quarterly. Tactical oversight is through the Co-Executive with reporting to Group Directors. ▪ The Co-Executive monitor developments in the Government's Welfare Reform agenda and report key issues to the Board and

STRATEGIC REPORT CONTINUED

RISK	ACTIONS TO MITIGATE RISK
concern and/or its ability to deliver its corporate plan.	Group Directors. ▪ The Group's Income and Money Advice structure focuses on prevention and early intervention. The Money Advice team proactively contact all customers making a Universal Credit claim. ▪ All customers have been risk assessed (H/M/L) for rent arrears. These risk assessments have been used to forecast UC arrears. ▪ Strong networking and partnership relationships exist across the Group where UC is live with the DWP and Job Centre. The Income Team liaises with DWP and utilises the DWP's 'landlord portal' to maintain visibility around UC payments. ▪ The internal audit programme includes assurance reviews of rent arrears management / Welfare Reform. *'Significant' assurance 2018/19.* ▪ The Finance Team undertake daily cash flow monitoring with quarterly review by the Board / Group Audit and Risk Committee. ▪ Business Plans are updated to reflect Government policy (e.g. the recent 1% rent reductions) with ongoing stress testing for further reductions. ▪ Bad debt provision is reviewed through the annual budget setting process and reflected in the *Business Plan.* ▪ An Income Transformation review (*'Help Me Pay'*) completed in August 2017. From April 2018, with customer agreement, rents have been billed 4 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. ▪ All customers who are in a position to seek employment are referred to the Employability Officer which in effect makes customers UC proof. ▪ The housing management system (Orchard) includes capacity to: ▪ record UC related information and transactions; ▪ record UC direct payments (applicable from 8 weeks arrears); and ▪ utilise balance trends enabling the Group to profile its income collection. ▪ The Income App enables real time data capture in the field. This reduces preparation time and increases engagement time with customers.
Brexit Brexit implications include: ▪ Currency fluctuations impact adversely on the supply chain with increases in the cost of goods and services and difficulties in obtaining products, for example as a result of materials stockpiling by repairs and/or development contractors; ▪ A UK skills shortage in construction and social care / support could increase development, maintenance and care / support costs; ▪ 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;	▪ The Group Directors and co-executive team monitor Brexit developments. Key developments are also reported to the Board and Group Audit and Risk Committee for review. ▪ A supply chain assessment is being undertaken to establish exchange rate movement exposure. The Group operates a *supply chain framework* for materials with annual price increases linked to CPI. Other supplier price increases can be mitigated using other framework contractors. ▪ Materials used in elemental works planned maintenance are provided by the Group through its materials supply chain. Travis Perkins ('TP') equates to >90% of materials provision and their decision to stockpile will be based on their own commercial needs and the wider impact of Brexit on the UK economy. The Group has started liaising with Regional Directors to understand the policy and potential extent. TP imports c. 20% of its materials / supplies from the EU. The Group does not currently operate an official materials store; ▪ In the event of shortages FHG would reduce services to maintain statutory and regulatory compliance and use available properties to

STRATEGIC REPORT CONTINUED

RISK	ACTIONS TO MITIGATE RISK
▪ Reduced credit rating / access to affordable debt; ▪ Lack of consumer confidence resulting in a slowing housing market and ineffective delivery of Limehouse business plan; ▪ Corporate Plan ineffective delivery; ▪ A recession could increase the demand for social housing, including homelessness; ▪ Adverse economic conditions could: - reduce tenants' ability to pay their rent and/or maintain SO mortgage payments; and -result in revisions to housing policy and reduced access to Government (grant) funding, including European grants	house customers safely. ▪ Build costs / outright sales prices: The Board has approved financial parameters which are monitored. The Group will not usually undertake schemes which breach parameters. Where costs rise / sales prices fall, the parameters will not be met and Group Directors these will be monitored by the and Asset Investment Committee. If required, the Board will also review the Development strategy. Existing Limehouse controls include reporting of *performance measures* to AIC and financials to Board. ▪ 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 Brexit conditions.
Economic Climate The macro and micro economic climate may increase pressure on the Group's existing services.	▪ The Board and Group Audit and Risk Committee monitor various key *economic metrics* quarterly (see Appendix A). ▪ 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 5 year period. The business plan CPI assumption for 2019/20 is 2.2% which is closely aligned with the latest average forecast for 2019 and Bank of England target of 2%. ▪ Quarterly stress testing of Business Plans assess the impact of adverse economic conditions on loan covenants / ongoing viability. ▪ Contractor financial resilience is assessed for all new suppliers. The Procurement Team use *First Report* to run credit checks on new suppliers.
Government Policy Government policy has an adverse impact on the companies' operations and / or finances. This includes an inability to access future government funding.	▪ The Co-executive monitor developments in Government policy, including bidding rounds and Chancellor Statements and *report key developments* / actions to the Board and Group Directors. ▪ Known and anticipated changes to Government policy are incorporated into *budgets and business plans* which are stress tested and then reviewed and approved by the Board, with decisions recorded in *minutes*. ▪ Regular reporting to the Board / Group Audit and Risk Committee on actual and expected policy changes including mitigating actions. ▪ Internal audit of budget setting and approval processes. ▪ The Group has historically been successful in Homes England grant funding bids and future funding is sought through continuous market engagement. **Grant levels are currently increasing supporting scheme viability and/or options for tenure mix.** ▪ Work on tenure diversification continues to progress. This incorporates the Government's expectation of utilising the asset base of the Group to deliver more social housing. ▪ The Board sets the Group's strategic direction to incorporate the ability to be a partner of choice with Homes England.

STRATEGIC REPORT CONTINUED

RISK	ACTIONS TO MITIGATE RISK
Business Continuity Planning Plans to mitigate for possible major incidents are not in place / inadequate.	▪ Annual reporting to Board / Group Audit and Risk Committee with review recorded in the *minutes*. ▪ Regular testing / annual review of Business Continuity Plans (each team has an operational business continuity plan). *The annual review is conducted by an external provider as a third line of defence.* ▪ The Group operates *Business Continuity Policy* which includes arrangements for a pandemic and inclement weather. ▪ The Group is incorporated into the *LA Emergency Disaster Plan*. ▪ The internal programme covers business continuity arrangements. *'Significant' assurance 2017/18.*

Capital structure and treasury policy

The Group's long term funding requirements are forecast via business plans. Essentially 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.

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

As at 31 March 2020, FFL had £3m undrawn (2019: £43m). FTP's £50m retained bond was sold in June 2020.

Five Doorways Homes borrows exclusively from Lloyds Bank with whom it has a £3.5 million debt facility in place. The current debt drawn down is £2m as at 31 March 2020 (2019: £2m). This is offset by cash and investments held of £4m (2019:£4m).

The total available liquidity of the Group as at 31 March 2020 is £60m not including the £50m retained bond. The Group's Treasury Management Policy states that the Group should manage its liquidity risk, i.e. the risk of the Group becoming unable to meet its financial obligations when they fall due, through ensuring that sufficient sources of funding are available. The Group should hold liquid funds, short term funds and medium term funds for rolling periods of 3 months, 12 months and 18 months respectively that can be accessed within appropriate timescales. Liquidity risk is effectively managed as the Group's cash and cash investments can be accessed within 7 days and all committed debt facilities can be accessed within 2 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.

STRATEGIC REPORT CONTINUED

All of the Group's debt facilities are secured by fixed charges. The Group currently has circa 2,000 unencumbered stock 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.

Events after the end of the reporting period

We consider that there are no events since the financial year-end that have a significant effect on the financial position of the Group. Whilst the financial impact of the Coronavirus pandemic is likely to lead to further significant economic decline both nationally and globally, the mitigating actions that the Group has put in place to manage these risks has enabled continued financial strength. The Group has adjusted its expenditure plans on major capital projects and new development to ensure that the treasury policy remains in compliance. The retained £50m element of the £200m bond was sold in June 2020. In addition, the financial forecasts for the next two years show no issues in relation to covenant compliance.

Payment of creditors

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

Health & safety and environmental policy

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

Emissions and energy consumption

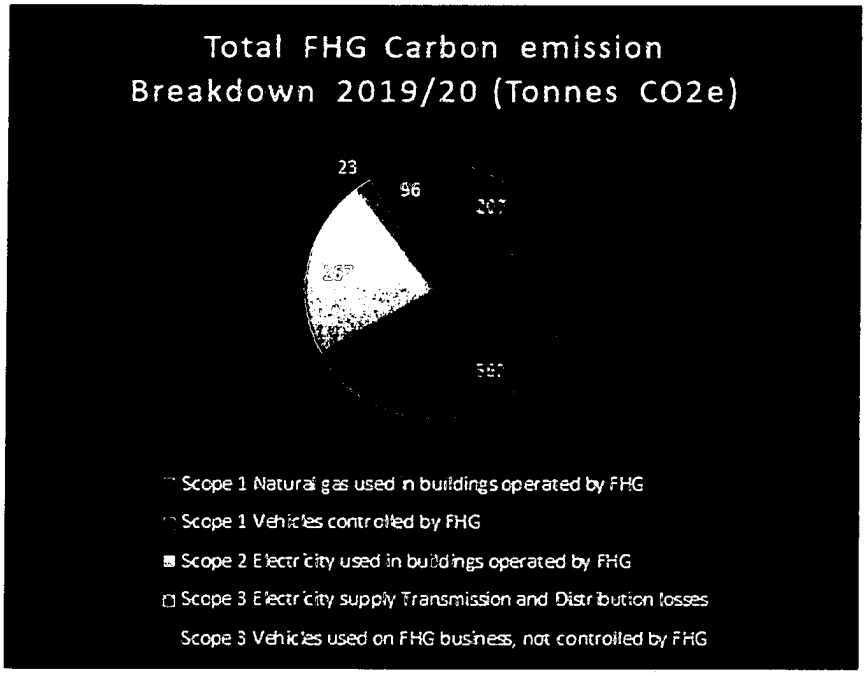
The Group is required to provide disclosures on greenhouse gas emissions and energy consumption, as shown in the following table.

STRATEGIC REPORT CONTINUED

GHG emissions and energy use data for period 1st April 2019 to 31st March 2020			
Emission source:	**Current reporting year 2019-2020**	**Units**	*Guide note:*
Energy consumption for which the organisation is responsible used to calculate emissions:			
Scope 1			
Natural Gas utilised	1,124,850	kWh	*1*
Vehicle operations	146,152	litres	*2*
Scope 2			
Electricity (supplied from National Grid)	1,009,470	kWh	*3*
Corresponding emissions from activities for which the company is responsible -			
Scope 1			
Natural Gas utilised	207	tCO2e	*4*
Vehicle operations	562	tCO2e	*5*
Scope 2			
Electricity (supplied from National Grid)	267	tCO2e	*6*
Total gross Scope 1 & Scope 2 emissions	**1,035**	**tCO2e**	*7*
Emissions intensity ratio -			
Annual Turn-over (corresponding reporting year)	£50,600,000		*8*
Intensity ratio: tCO2e (gross Scope 1 + 2) / £100,000 revenue	**2.0**	tCO2e/£100,000	*9*
Energy consumption for which the organisation has no direct operational control:			
Scope 3:			
Electricity (supplied from National Grid)			
Transmission & distribution	1,124,850	kWh	*10*
Vehicles (not owned or controled by organisation)	36,848	litres	*11*
Corresponding emissions from activities outside the direct control of the organisation -			
Scope 3:			
Emissions from purchase of electricity T & D losses	23	tCO2e	*12*
Emissions from vehicles (not owned or controled by organisation)	96	tCO2e	*13*
Total gross Scope 3 emissions	**119**	**tCO2e**	*14*
Total gross Scope 1, Scope 2 & Scope 3 emissions	**1,154**	**tCO2e**	*15*
Carbon offsets / tCO2e	0	tCO2e	*16*
Total annual net emissions reported tCO2e	**1,154**	**tCO2e**	*17*

STRATEGIC REPORT CONTINUED

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



STRATEGIC REPORT CONTINUED

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 was approved by the Board. As a consequence the Board can certify that the Group was in full compliance with the Governance and Financial Viability Standard for 2019/20 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 were:
   - Setting the budget for the year that allowed the Group to deliver on it's corporate plan ambitions whilst maintaining sufficient headroom within it's funding capacity to allow the Group to withstand a multitude of economic pressures.
   - Acceleration of the Board approved development budget to take advantage of significant opportunities within the market to deliver new homes in certain geographical regions whilst achieving value for money in build costs per unit.

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 enagement survey takes place which captures valuable information

STRATEGIC REPORT CONTINUED

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.

Key decisions in this area during the year were:

- Salary uplift in line with industry averages for all staff
- Investment in 'Leadership Academy' to develop management and coaching skills for staff and investment in 'Health and Wellbeing' initiatives

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 detailed in the corporate plan.

Key decisions in this area include:

- Exploring new procurement frameworks not utilised by the Group before to reach a wider supplier base whilst 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

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

Key decisions in this area include:

- Remodelling one sheltered housing scheme to make it fit for future customer expectations and approval to commence re-design of a second scheme
- Allocation of development budget to fund a proportion of non social housing new build to continue ambition to deliver mixed tenure programmes
- Continued funding for employability initiatives
- Funding the set up of a new Repairs Academy to increase the supply of apprenticeships to the local regions in which the Group operates

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 policies 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, via the Audit & Risk Committee, that policies are being complied with.

STRATEGIC REPORT CONTINUED

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
- Commissioning a a governance review by a third party to provide recommendations on how the governance of the organisation can be improved further.

vi) To demonstrate the need to act fairly between members of the company, the Group has in place 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.

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 22 September 2020 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 and Resources, the Group Customer Services and Assets Director and the Group Business Growth and Transformation Director.

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 Group's Executive Directors' emoluments are included in note 11 to the audited financial statements.

Donations

Futures Housing Group made no charitable donations during in the year (2019: nil). The Group made no political donations.

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 whilst continuing to comply with lenders' covenants.

REPORT OF THE BOARD CONTINUED

The recent Covid-19 pandemic led the Group to instigate mitigation strategies to further protect the Group's cash flows from unknown economic pressures that may occur as a result of a possible global economic decline. These strategies included pausing ongoing new development schemes, pausing entering into new capital commitments for new development and other strategic projects and enhancing reporting and monitoring controls to detect trends on a daily basis. The Group also furloughed a number of staff who were unable to continue their day jobs; for example as a result of reduced repairs services during lockdown. The Group's cash flow forecasting demonstrates the ability to continue operating as a going concern without any reliance on sales income or grant income and with extra contingency funds ringfenced to create additional strength to deal with adverse economic conditions. It should be noted that the Group sold its £50m of retained bonds which allows the Group to continue its development plans. The Group has stress tested these cashflows to ensure that the risk of non-compliance with loan covenants is effectively managed. Utilising current financial forecasting, there is no risk of non-compliance with loan covenants over the next five years.

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

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

To ensure compliance, the Group works with Anthony Collins LLP, to assist in assessing the extent to which it complies with relevant English law. This process involves the use of a legal compliance checklist, designed to highlight any potential legal non-compliance in relation to the Group's core business. This review is overseen by the Group Audit and 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 commencing 1st April 2019 up to the date of approval of the annual report and financial statements. The Board and the Group Audit and Risk Committee receive and consider reports from management on these risk management and control arrangements at meetings throughout the year.

REPORT OF THE BOARD CONTINUED

Key elements of the control framework include:

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

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

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

NHF Code of Governance

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

REPORT OF THE BOARD CONTINUED

Statement of the responsibilities of the Board

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

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

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

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

The Board confirm that:

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

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

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

External Auditor
BDO LLP were re-appointed as auditor at the Board meeting on 22 September 2020.

The report of the Board was approved by the Board on 22 September 2020 and signed on its behalf by:

Mike Stevenson (Chair)

Futures Housing Group Limited
Year ended 31 March 2020

Independent Auditor's Report to MEMBERS of Futures Housing Group LIMITED

Opinion

We have audited the financial statements of Futures Housing Group Limited ("the Parent Company") and its subsidiaries ("the Group") for the year ended 31 March 2020 which comprise The Statement of Comprehensive Income, The Statement of changes in Reserves, The Statement of Financial Position and The Statement of Cash flows, and the 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)

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2020 and of the Group's and the Parent Company's incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the requirements of the Companies Act 2006, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019.

Basis for opinion

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the board members use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the board members have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group or Parent Company's ability

to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, 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) 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

Carrying amount of properties developed for resale

As explained in note 18, properties developed for sale, including shared ownership first tranches and properties developed for outright sale, are measured at the lower of cost and net realisable value resulting in an amount recognised in the balance sheet of £6,435,000. 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.

Our response to the key audit matter

Having obtained management's assessment of the net realisable value of properties developed for sale, we tested this on a sample basis.

Our samples were chosen from the populations of items that represented both developments under construction as well as completed developments at year-end.

For a sample of completed properties we agreed the amounts involved to supporting documentation where the property was sold post year-end. Where the property was not yet sold we obtained third-party housing market information to confirm that properties were held at the lower of cost and net realisable value.

For a sample of properties under development we obtained details of the expected costs to complete from the scheme budget for that development and agreed the budgeted contracted cost of the development to the latest contract documentation. We examined supporting documentation for anticipated sales proceeds and we compared the incurred expenditure to the balance sheet date to the estimated amount at that date.

We also assessed the accuracy of cost forecasting by looking at outturn costs compared to budget on schemes that completed in the year.

Key observations

Our work identified no misstatements or inappropriate application of judgement or estimation. Based on our procedures we noted no exceptions and no evidence that the carrying amount of properties developed for sale is materially misstated.

Going concern

As disclosed in basis of preparation note, following the outbreak of COVID-19, and the resultant impact on the overall economy, management has considered the appropriateness of the going concern basis of preparation for the group as well as the parent Company.

The Boards' assessment of going concern involves a number of subjective judgements including the anticipated future levels of bad debts, voids, the rate of inflation, costs of borrowing and the level of property sales, which have been impacted by the current COVID-19 pandemic. We have therefore spent significant audit effort in assessing the appropriateness of the assumptions involved and to ensure the adequacy of the disclosure in the accounting policy in relation to the steps undertaken by the board to gain assurance that there is not a material uncertainty around the adoption of the going concern basis of preparing the financial statements. Therefore this area was identified as a Key Audit Matter.

Our response to the key audit matter

Our audit work included the following:

- Assessment of the internal forecasting process to confirm the projections are prepared by appropriate personnel that are aware of the detailed figures in the forecast but also to have a high level understanding of the entity's market, strategy and profile in the customer base, and the potential impact that COVID-19 might have on these projections.
- Obtaining details, and assessing the availability, of financing facilities, including the nature of facilities, repayment terms and financial covenants. We considered management's financial covenant compliance calculations through to March 2022 and concluded on the consistency of such calculations with the ratios stated in the relevant lender agreements.
- Consideration of the forecasts prepared by management and challenge of the key assumptions based on our knowledge of the business.

As referred to in basis of preparation note, management has modelled reasonably possible downside scenarios to incorporate the expected impact of the COVID-19 pandemic. We have considered the appropriateness of the downside scenarios in respect of the impact of COVID-19 and challenged management to confirm that they have suitably addressed the inputs, which are most susceptible to change, including those in respect of revenue, margins and cost savings. In assessing management's stress testing we considered whether there were other possible reasonable scenarios that management should have considered including benchmarking against our expectations of the sector.

We considered the adequacy of the disclosures in the financial statements, including the results of reverse stress testing and management's conclusions on the likelihood of such scenarios arising, against the requirements of the accounting standards and consistency of the disclosure against the forecasts and stress test scenario.

Key observations

With regard to going concern, our key observations are set out in the conclusions related to going concern section of our audit report.

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. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take into 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.

We determined materiality for the financial statements as a whole to be £4,500,000 (2019 - £3,766,000) which represents 1.25% of total assets (2019 – 1.25% of total assets).

We also apply a specific materiality level for all items comprising operating profit (including related disclosures) as that term is defined for the purposes of the entities' lending covenants. This therefore involves adjusting operating profit for depreciation, amortisation and impairment. The specific materiality level that we applied was £1,250,000 (2019 - £957,000), which is 6.25% of adjusted operating profit (2019 – 5.0%).

We used total assets and adjusted operating profit as our chosen benchmarks to determine materiality and for specific materiality as these are considered to be the areas of the financial statements of greatest interest to the principal users of the financial statements and the areas which will have greatest impact on investor and lender decisions.

Materiality for the parent company was set at £185,000 (2019 - £178,000).

Performance materiality is the application of materiality at the individual account or balance level set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. Performance materiality was set at 70% (2019 – 65%) of materiality or specific materiality depending on the financial statement area being audited. We considered a number of factors including the expected total value of known and likely misstatements (based on past experience and other factors) and management's attitude towards proposed adjustments.

We agreed with the Audit and Risk Management Committee that misstatements in excess of £90,000 (2019 - £183,300) for areas considered using financial statement materiality and £25,000 (2019 - £47,850) for areas considered using specific materiality, which were identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

An overview of the scope of our audit

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the geographic structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

In establishing the overall approach to the Group audit, we assessed the audit significance of each reporting component in the Group by reference to both its financial significance and other indicators of audit risk, such as the complexity of operations and the degree of estimation and judgement in the financial results.

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

The extent to which the audit is capable of detecting irregularities is affected by the inherent difficulty in detecting irregularities, the effectiveness of the entity's controls, and the nature, timing and extent of the audit procedures performed. Irregularities that result from fraud usually are inherently more difficult to detect than irregularities that result from error.

As part of the audit we gained an understanding of the legal and regulatory framework applicable to the Group and the industry in which it operates, and considered the risk of acts by the Group that were contrary to applicable laws and regulations, including fraud. We considered the Company's compliance with laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006, the Housing and Regeneration Act 2008 and other laws and regulations applicable to a registered social housing provider in England. We also considered the risks of non-compliance with the other requirements imposed by the Regulator of Social Housing, and we considered the extent to which non-compliance might have a material effect on the group financial statements.

We designed audit procedures at Group and significant component level to respond to the risk, 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 or intentional misrepresentations, or through collusion.

Our tests included agreeing the financial statement disclosures to underlying supporting documentation, enquiries of the Board and of management and enquiries of third parties, where information from that third party has been used by the Association in the preparation of the financial statements.

There are inherent limitations in the audit procedures described above 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 would become aware of it. As in all of our audits, we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the Board that represented a risk of material misstatement due to fraud.

Classification of components

The significant components for group purposes are the parent entity, Futures Homeway Limited, Futures Homescape Limited, Limehouse Developments Limited, Futures Treasury PLC and Futures Finance Limited.

Audit work on all components was performed by BDO UK both for the purposes of reporting on the individual financial statements and for Group/consolidation purposes. Individual component audits were carried out using component materiality levels appropriate to each individual entity and the materiality levels used ranged from 1% to 100% of overall financial statement materiality.

Other information

The Board is responsible for the other information. Other information comprises the information included in the Annual Report and Financial Statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information including the Strategic report including Operating and Financial Review and Statement of Corporate Governance and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Report of the Board for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and Report of the Board have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and Report of the Board.

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 Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of board trustees' 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 responsibility of Board, the board members are 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 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 members are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board either intend to liquidate the Group or the Parent 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.

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

Other matters

Following the recommendation of the Audit and Risk Management Committee, we were appointed by the Board in March 2019 to audit the Financial Statements for the year ending 31 March 2019 and subsequent financial periods. In respect of the year ended 31 March 2019 we were reappointed as auditors by members of the Board at the annual general meeting held on 27 September 2018. The period of total uninterrupted engagement is 2 years covering the year to 31 March 2020.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the parent Association and we remain independent of the Group and parent Company in conducting our audit.

Our audit opinion is consistent with the additional report to the Audit and Risk Management Committee.

Use of our report

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

Futures Housing Group Limited
Year ended 31 March 2020

BDO LLP

Kyla Bellingall (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Birmingham, UK

Date 23 September 2020

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

Futures Housing Group Limited
Year ended 31 March 2020

Consolidated Statement of Comprehensive Income

	Note	2020 £'000	2019 £'000
Turnover: continuing activities:	4	57,824	50,592
Operating Costs	4	(40,381)	(33,473)
Revaluation of investment properties	15	662	1,747
Surplus on sale of housing properties	6	2,915	1,207
Operating Surplus	5	**21,020**	**20,073**
Interest receivable and other income	8	180	84
Interest payable and similar charges	9	(9,016)	(8,653)
Other finance costs	10	(397)	(318)
Surplus before taxation		**11,787**	**11,186**
Taxation	12	(38)	(58)
Surplus for the year		**11,749**	**11,128**
Actuarial gain/(loss) relating to the pension scheme	10	8,648	(3,906)
Total comprehensive income for the year		**20,397**	**7,222**

The notes on pages 62 to 108 form part of these financial statements

Futures Housing Group Limited
Year ended 31 March 2020

Company Statement of Comprehensive Income

	Note	2020 £'000	2019 £'000
Turnover: continuing activities	4	12,447	11,919
Operating Costs	4	(12,318)	(11,643)
Operating Surplus: continuing activities	5	**129**	**276**
Interest receivable and other income	8	4	2
Interest payable and similar charges	9	(8)	(18)
Surplus on ordinary activities before taxation		**125**	**260**
Tax on surplus on ordinary activities	12	(23)	(49)
Surplus for the financial year		**102**	**211**

The notes on pages 62 to 108 form part of these financial statements

Consolidated and Company Statement of Changes in Reserves

For the year ended 31 March 2020

	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
Balance as at 31 March	27,246	20,024	(244)	(455)
Comprehensive income for the year	20,397	7,222	102	211
Balance as at 31 March	**47,643**	**27,246**	**(142)**	**(244)**

The notes on pages 62 to 108 form part of these financial statements

Futures Housing Group Limited
Year ended 31 March 2020

Consolidated Statement of Financial Position

As at 31 March 2020

	Note	2020 £'000	2019 £'000
Tangible fixed assets			
Housing properties	13	259,049	228,649
Other tangible fixed assets	14	1,026	859
Investment Properties	15	35,998	34,801
Investment in Associate	16	151	151
Investment		10	10
		296,234	264,470
Current assets			
Stock	17	139	86
Properties held for sale	18	6,434	3,085
Debtors	19	4,432	2,745
Cash and cash equivalents		54,396	31,836
		65,401	37,752
Creditors: Amounts falling due within one year	20	(17,610)	(12,294)
Net current assets		47,791	25,458
Total assets less current liabilities		344,025	289,928
Creditors: Amounts falling due after more than one year	21	(287,960)	(246,411)
Net pension liability	10	(8,422)	(16,271)
Total net assets		**47,643**	**27,246**
Capital & Reserves			
Revenue reserve		47,643	27,246
Total reserves		**47,643**	**27,246**

The notes on pages 62 to 108 form part of these financial statements

These financial statements were approved and authorised for issue by the Board on the 22 September 2020 and signed on its behalf by:

Mike Stevenson
(Chair)

Ray Harding
(Board member)

Futures Housing Group Limited
Year ended 31 March 2020

Company Statement of Financial Position

As at 31 March 2020

	Note	2020 £'000	2019 £'000
Tangible fixed assets			
Other tangible fixed assets	14	542	387
Investment in associates	16	151	151
Investment		60	23
		753	561
Current assets			
Debtors	19	1,036	1,735
Cash at bank and in hand		1,759	1,491
		2,795	3,226
Creditors: Amounts falling due within one year	20	(3,690)	(4,031)
Net current liabilities		(895)	(805)
Total assets less current liabilities		**(142)**	**(244)**
Capital and reserves (non-equity)			
Revenue reserve		(142)	(244)
Total reserves		**(142)**	**(244)**

The notes on pages 62 to 108 form part of these financial statements

These financial statements were approved and authorised for issue by the Board on the 22 September 2020 and signed on its behalf by:

Mike Stevenson
(Chair)

Ray Harding
(Board member)

Futures Housing Group Limited
Year ended 31 March 2020

Consolidated Statement of Cash Flows

For the year ended 31 March 2020

	Note	2020 £'000	2019 £'000
Net cash generated from operating activities	27	22,750	22,861
Cash flow from investing activities			
Purchase of tangible fixed assets		(38,374)	(83,019)
Proceeds from sale of tangible fixed assets		4,972	2,217
Fixed asset investment		0	(10)
Grants received		5,085	9,976
Interest received		180	84
		(28,137)	(70,752)
Cash flow from financing activity			
Interest paid		(8,933)	(6,495)
New loans		36,926	216,535
Loan arrangement fees		0	(2,438)
Repayment of borrowings		(46)	(143,825)
		27,947	63,777
Increase in cash		22,560	15,886
Cash and cash equivalents at beginning of the year		31,836	15,950
Cash and cash equivalents at end of the year		54,396	31,836

The notes on pages 62 to 108 form part of these financial statements

1. Legal status

The Company is registered under the Companies Act 2006 and is a registered housing provider. The registered office is Asher House, Asher Lane Business Park, Ripley, Derbyshire, DE5 3SW.

2. Accounting policies

Basis of accounting

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

Going concern

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

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

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

- 2 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 2022, without the need to secure any further funding than what is already in place and secured.
- Stress testing has been carried out and reviewed by the Board on the restated business plans. The Board is satisfied that the stress testing, which includes single variant stress testing, multi-variant stress testing and determination of single variant tolerance levels, demonstrates sufficient financial strength to conclude the Group and its subsidiaries are going concerns. In reaching this decision, the Board has noted that the new business plans still meet the Group's key rules for effective financial management, are not reliant on sales income to meet loan covenants and can tolerate sufficient increases in voids/bad debts/ CPI/RPI without creating a covenant breach or needing to securing extra funding over the period under review, ending March 2022. The Board has also reviewed worse case scenarios that would lead to a covenant breach as a result of Covid-19 impacts and is comfortable that the stress testing mitigation plan contains sufficient mitigation strategies to minimise the impact of the worst case on the Group and its subsidiaries.
- The stress testing resilience plan has also been considered by the Board in reaching its going concern conclusions. The plan sets out the point at which the Board would

Notes to the Financial Statements continued

Note 2 (continued)

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 £81.2m immediate cash savings through a reduction of uncommitted spend and cancelling or pausing other capital projects.

- The Forecast cash and covenant positions for the Group and its subsidiaries have been considered by the Board in forming its going concern conclusions. The cash positions are considered to be both the forecast cash at bank positions plus the unutilised secured and in place loan facilities.

The covenant positions for the Group have been considered and there are no covenant non-compliance forecast in the restated business plans over the period up to March 2022 and beyond. In addition, Cash break-even point assessments have been reviewed by the Board, at subsidiary level, to obtain comfort that the cash positive cashflows have sufficient robustness within them. This review has highlighted that each subsidiary has a highly robust cash break even position that allows all operating costs to increase by more than 100% before cash turns negative.

The recent Covid-19 pandemic has created an environment of uncertainty and therefore the Board has focused on ensuring that the Group can continue to be financially strong over the coming years. The Board's first response to the pandemic was to immediately pause all major expenditure (development and capital projects) to allow time for financial planning and re-forecasting. The second key response was to accelerate selling the £50m retained bond, secured in June 2020, to enhance the Group's access to immediately available cash reserves should they require it. This, coupled with utilised RCFs of £38m, provided the Board with adequate comfort that the Group could continue as a going concern for the foreseeable future without having to amend its original expenditure plans, such as building new homes. The pause on major expenditure has subsequently been lifted.

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

Basis of consolidation

The Group accounts consolidate the accounts of the company and all it's subsidiaries at 31 March 2020 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.

Notes to the Financial Statements continued

Note 2 (continued)
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
• 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

Notes to the Financial Statements continued

Note 2 (continued)
between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.
Deferred balances are recognised in respect of all timing differences that have originated but not reversed by the Balance
Sheet date, except:

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

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

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

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

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

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

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

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

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

Notes to the Financial Statements continued

Note 2 (continued)
Housing properties
Housing properties are held for the provision of social housing or to otherwise provide social benefit. Housing properties are properties available for rent and properties subject to shared ownership leases.

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

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

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

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

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

	Life in years
Structure	50
Roof	50
Fascia	30
Soffit	30
Windows	30
Kitchen	20
Bathroom	30
Doors	30
Bio Mass System	20
Heating Distribution System	25
Boiler	12

Government grants
Government grants include grants receivable from the RSH, local authorities, and other government organisations. Government grants received for housing properties are initially credited to the deferred grant account within long term creditors on the statement of financial position. They are then amortised over the useful life of the housing property

Notes to the Financial Statements continued

structure and, where applicable its individual components (excluding land) under the accruals model.

Note 2 (continued)

Grants relating to revenue are recognised in the statement of comprehensive income over the same period as the expenditure to which they relate once reasonable assurance has been gained that the entity will comply with the conditions and that the funds will be received. Grants due from government organisations or received in advance are included as current assets or liabilities.

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

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

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

Other grants

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

Impairment

Annually housing properties are assessed for impairment measures. Where measures 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:

Notes to the Financial Statements continued

Note 2 (continued)

	Life in years
Computers and office equipment	3
Tools and equipment	3
Motor Vehicles	3
Furniture, fixtures and fittings	5
Lifeline Equipment	5

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

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

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

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

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:

Notes to the Financial Statements continued

Note 2 (continued)

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.

3. Significant Judgements and Estimates

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

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

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

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

Given the economic impact of Covid-19, a review has been carried out for the value held on the Statement of Financial Position of unsold homes and works in progress. As at 31 March 2020, there was a total of 28 unsold homes. Of these, 12 are either sold or sold subject to contract by the year end. Of the remaining 16 homes, a number of enquiries and viewings are taking place. In addition, there is a sufficient margin between the historic build cost recorded in properties held for sale and the final sales value being higher by £22k / 14% per unit to provide certainty over their historic costs valuation as a minimum and therefore we consider no impairment to be required.

Notes to the Financial Statements continued

Note 3 (continued)

2) Staff seconded to FHG

Management believe that a constructive obligation exists in FHG for pension costs for staff seconded from FHL and FHW.

3) Capitalisation of property development costs

Distinguishing the point at which a project is more likely than not to continue, allowing capitalisation of associated development costs requires judgement. After capitalisation management monitors the asset and considers whether changes indicate that impairment is required.

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

2) Defined benefit obligation (DBO)

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

3) Investment property valuation

Management's estimate of the valuation of the investment property is based on an independant valuation by Rupert David & Co Chartered Surveyors. The valuation report received for the year included a 'material valuation uncertainty' clause which means that at 31 March 2020, there is less certainty and therefore a higher degree of cauton should be attached to the valuation. Management conclude this does not create any material uncertainty to the financial statements as a whole.

Notes to the Financial Statements continued

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

Group - Continuing activities

For the year ended 31 March 2020	Turnover 2020 £'000	Cost of sales 2020 £'000	Operating costs 2020 £'000	Operating surplus 2020 £'000
Social housing lettings (see note 4b)	47,114	0	(32,162)	14,952
Other social housing activities				
Management and agency services	331	0	(37)	294
First tranche shared ownership sales	2,409	(1,533)	(286)	590
	2,740	(1,533)	(323)	884
Non-social housing activities				
Charges for Support Services	575	0	(513)	62
Properties developed for outright sale	5,781	(5,126)	0	655
Market Rents				0
Other	1,614	0	(724)	890
	7,970	(5,126)	(1,237)	1,607
Total Social Housing	**57,824**	**(6,659)**	**(33,722)**	**17,443**
Revaluation of investment properties				662
Surplus on sale of housing properties				2,915
				21,020

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

Notes to the Financial Statements continued

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

Group - Continuing activities

For the year ended 31 March 2019	Turnover 2019 £'000	Cost of sales 2019 £'000	Operating costs 2019 £'000	Operating surplus 2019 £'000
Social housing lettings (see note 4b)	43,974	0	(29,286)	14,688
Other social housing activities				
Management and agency services	682	0	(237)	445
First tranche shared ownership sales	3,498	(2,026)	(277)	1,195
	4,180	(2,026)	(514)	1,640
Non-social housing activities				
Charges for Support Services	595	0	(530)	65
Sale of properties for outright sale	708	(643)	0	65
Market Rents				0
Other	1,135	0	(474)	661
	2,438	(643)	(1,004)	792
Total Social Housing	**50,592**	**(2,669)**	**(30,804)**	**17,119**
Revaluation of investment properties				1,747
Surplus on sale of housing properties				1,207
				20,073

Company	Turnover 2019 £'000	Cost of sales 2019 £'000	Operating costs 2019 £'000	Operating surplus 2019 £'000
Other social housing activities				
Management services	11,919	-	(11,643)	276

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

Group - Continuing activities

Group For the year ended 31 March 2020	General housing 2020 £'000	Sheltered housing 2020 £'000	Shared ownership 2020 £'000	Total 2020 £'000
Turnover from social housing lettings				
Rent receivable net of identifiable service charges	28,777	14,635	1,021	44,433
Service income	1,258	645	5	1,908
Amortisation of government grants	770	0	3	773
Turnover from Social housing lettings	**30,805**	**15,280**	**1,029**	**47,114**
Expenditure on social housing lettings				
Management	(7,033)	(3,598)	(435)	(11,066)
Services	(582)	(1,774)	0	(2,356)
Routine maintenance	(3,036)	(1,553)	0	(4,589)
Planned maintenance	(2,787)	(1,515)	0	(4,302)
Major repairs expenditure	(741)	(332)	(1)	(1,074)
Bad debts	(311)	(168)	0	(479)
Depreciation of housing properties	(4,627)	(2,329)	(271)	(7,227)
Depreciation of other fixed assets	(70)	(37)	0	(107)
Other	(638)	(324)	0	(962)
Total expenditure on social housing lettings	**(19,825)**	**(11,630)**	**(707)**	**(32,162)**
Operating surplus on social housing lettings	**10,980**	**3,650**	**322**	**14,952**
Void losses	**(418)**	**(82)**	**(118)**	**(618)**

Notes to the Financial Statements continued

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

Group - Continuing activities

Group For the year ended 31 March 2019	General housing 2019 £'000	Sheltered housing 2019 £'000	Shared ownership 2019 £'000	Total 2019 £'000
Turnover from social housing lettings				
Rent receivable net of identifiable service charges	27,391	14,144	551	42,086
Service income	886	450	5	1,341
Amortisation of government grants	544	0	3	547
Turnover from social housing lettings	**28,821**	**14,594**	**559**	**43,974**
Expenditure on social housing lettings				
Management	(6,469)	(3,357)	(404)	(10,230)
Services	(629)	(856)	0	(1,485)
Routine maintenance	(2,825)	(1,466)	0	(4,291)
Planned maintenance	(2,222)	(1,234)	0	(3,456)
Major repairs expenditure	(1,036)	(519)	(2)	(1,557)
Bad debts	(273)	(148)	0	(421)
Depreciation of housing properties	(4,104)	(2,078)	(240)	(6,422)
Depreciation of other fixed assets	(145)	(82)	0	(227)
Other	(784)	(413)	0	(1,197)
Total expenditure on social housing lettings	**(18,487)**	**(10,153)**	**(646)**	**(29,286)**
Operating surplus on social housing lettings	**10,334**	**4,441**	**(87)**	**14,688**
Void losses	**(282)**	**(135)**	**0**	**(417)**

Notes to the Financial Statements continued

5. Operating Surplus

This is arrived at after charging	Group 2020 £'000	Company 2020 £'000	Group 2019 £'000	Company 2019 £'000
Depreciation of housing properties	7,048	0	6,037	0
Impairment of housing properties	179	0	385	0
Impairment of fixed asset investment	0	0	0	0
Depreciation of other tangible fixed assets	648	494	539	294
Operating lease rentals				
-Buildings	349	349	351	351
-Equipment	4	0	7	0
-Vehicles	0	0	0	0
Auditors remuneration (excluding irrecoverable VAT)				
-for audit services	92	69	74	54
-for non audit services (taxation)	89	89	11	11

Notes to the Financial Statements continued

6. Surplus on sale of fixed assets - housing properties

	Group 2020 £'000	Company 2020 £'000	Group 2019 £'000	Company 2019 £'000
Disposal proceeds	4,473	-	1,757	-
Carrying value of fixed assets	(1,558)	-	(550)	-
	2,915	-	**1,207**	-

7. Accommodation in management

For the year ended 31 March

	Social	Affordable	Shared ownership	Supported Sheltered	Market rent	Rent to buy	**Total owned**
Opening stock	5,725	394	334	3,196	217	8	**9,874**
Additions	14	87	33	0	40	32	**206**
Disposals	(50)	0	(4)	(1)	(2)	0	**(57)**
Closing stock	**5,689**	**481**	**363**	**3,195**	**255**	**40**	**10,023**

	Private landlord	Managed not owned	**Total owned and managed**
Opening stock	136	198	**10,208**
Additions	2	0	**208**
Disposals	(93)	(12)	**(162)**
Closing stock	**45**	**186**	**10,254**

Notes to the Financial Statements continued

8. Interest receivable and other income

	Group 2020 £'000	Company 2020 £'000	Group 2019 £'000	Company 2019 £'000
Interest receivable	180	4	84	2

9. Interest and financing costs
Group

	Group 2020 £'000	Company 2020 £'000	Group 2019 £'000	Company 2019 £'000
Loans and bank overdraft	9,016	8	8,653	18

Notes to the Financial Statements continued

10. Employees

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

	Group 2020 No.	Company 2020 No.	Group 2019 No.	Company 2019 No.
FTEs	325	189	274	165

Employee costs:

	Group 2020 £'000	Company 2020 £'000	Group 2019 £'000	Company 2019 £'000
Wages and salaries	10,176	6,203	8,801	5,946
Social security costs	943	598	842	595
Pension costs	1,806	972	1,533	957
	12,925	7,773	11,176	7,498

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.

Notes to the Financial Statements continued

Note 10 (continued)
Derbyshire County Council Pension Fund

The DCCPF is a multi-employer defined benefit scheme, which is administered by Derbyshire County Council under the regulations governing the Local Government Pension Scheme (LGPS), a defined benefit scheme. Triennial actuarial valuations of the pension scheme are performed by an independent, professionally qualified actuary using the projected unit method. The most recent formal actuarial valuation was completed as at 31 March 2019. The market value of Futures Homescape's share of scheme 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 23.9% during the year. The cost to the company, of contributions to the scheme in the period, amounted to £776,000 (2019: £850,000). Members' contributions vary between 5.5% and 11.4% of pensionable pay until 31st March 2020, depending on the circumstances of the employee. Employers' contributions to the DCCPF during the accounting period commencing 1 April 2020 are at a rate of 33.4% and are estimated to be £1,085,000.

Major categories of plan assets as a total of plan assets

	2020	2019
	%	%
Equities	57	62
Bonds	26	22
Property	9	8
Cash	8	8

Assumptions

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

	2020	2019
	%	%
Rate of increase in salaries	2.6	3.0
Rate of increase in pensions	1.9	2.5
Discounted rate	2.3	2.4

Notes to the Financial Statements continued

Note 10 (continued)
Mortality assumptions

The post retirement mortality assumptions were based on the Fund's VitaCurves with improvements in-line with the CMI 2013 model and these are used to value the benefit obligation at 31 March as determined by the actuary, for non-pensioners and pensioners.

	2020 No of Years.	2019 No of Years.
Current pensioners:		
Males	21.6	21.9
Females	23.7	24.4
Future pensioners:		
Males	22.6	23.9
Females	25.1	26.5

Amounts recognised in the statement of financial position:

	2020 £'000	2019 £'000
Present value of funded obligations	(40,218)	(50,054)
Fair value of plan assets	33,813	37,665
	(6,405)	(12,389)
Present value of unfunded obligations	(11)	(13)
Net liability	(6,416)	(12,402)

Amounts recognised in other comprehensive income

	2020 £'000	2019 £'000
Actuarial gains/(loss) in other comprehensive income	6,752	(3,183)

Analysis of the amount charged to operating surplus

	2020 £'000	2019 £'000
Current service cost	1,239	1,093
Past service losses	0	283
Total operating charge	1,239	1,376

Notes to the Financial Statements continued

Note 10 (continued)
Amounts recognised in the statement of financial position:

	2020 £'000	2019 £'000
Expected return on pension scheme assets	909	957
Interest on pension scheme liabilities	(1,213)	(1,192)
Net interest charge	(304)	(235)

Movement in deficit during the year	**2020 £'000**	**2019 £'000**
Company share of net liabilities at start of period	(12,402)	(8,459)
Movement in year:		
Current service cost	(1,239)	(1,093)
Past service cost	0	(283)
Employer contributions	777	851
Other finance costs	(304)	(235)
Actuarial (gain) / loss	6,752	(3,183)
Company share of net scheme liabilities at end of year	(6,416)	(12,402)

Changes in present value of define benefit obligation:	**2020 £'000**	**2019 £'000**
Opening defined benefit obligation (including unfunded obligations)	(50,067)	(43,758)
Current service cost	(1,239)	(1,093)
Past service cost	0	(283)
Interest cost	(1,213)	(1,192)
Contributions by members	(207)	(206)
Actuarial gain/(loss)	11,774	(4,240)
Past service gain	0	0
Benefits paid	723	705
Closing defined benefit obligation (including unfunded obligations)	(40,229)	(50,067)

Changes in fair value of plan assets	**2020 £'000**	**2019 £'000**
Opening fair value of plan assets	37,665	35,299
Expected return on assets	909	957
Contributions by members	207	206
Contributions by employer	777	851
Actuarial gains	(5,022)	1,057
Benefits paid	(723)	(705)
Fair value of assets at end of year	33,813	37,665

Notes to the Financial Statements continued

Northamptonshire County Council Pension Fund

The NCCPF 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 £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 27.9% during the year. The cost to the company, of contributions to the scheme in the period, amounted to £250,000 (2019: £235,000). Members' contributions vary between 5.5% and 11.4% of pensionable pay until 31 March 2020, depending on the circumstances of the employee. Employers' contributions to the NCCPF during the accounting period commencing 1 April 2020 are at a rate of 40.1% and are estimated to be £359,000.

Notes to the Financial Statements continued

Major categories of plan assets as a total of plan assets

	2020	2019
Equities	65%	73%
Bonds	19%	16%
Property	14%	8%
Cash	2%	3%

Assumptions

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

	2020 %	2019 %
Rate of increase in salaries	2.3	2.8
Rate of increase in pensions	1.8	2.5
Discounted rate	2.3	2.4

Mortality assumptions

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

	2020 No of Years	2019 No of Years
Current pensioners:		
Males	21.5	22.1
Females	23.7	24.2
Future pensioners:		
Males	22.3	23.9
Females	25.1	26.1

Notes to the Financial Statements continued

Note 10 (continued)

	2020 £'000	2019 £'000
Present value of funded obligations	(9,114)	(11,652)
Fair value of plan assets	7,108	7,783
	(2,006)	(3,869)
Present value of unfunded obligations	0	0
Net liability	(2,006)	(3,869)

Amounts recognised in other comprehensive income

	2020 £'000	2019 £'000
Actuarial gain/(loss) in other comprehensive income	1,896	(723)

Analysis of the amount charged to operating surplus

	2020 £'000	2019 £'000
Current service cost / total operating charge	190	197

Analysis of the amount charged to other finance costs:

	2020 £'000	2019 £'000
Expected return on pension scheme assets	188	194
Interest on pension scheme liabilities	(281)	(277)
Net finance cost	(93)	(83)

Notes to the Financial Statements continued

Note 10 (continued)

Movement in deficit during the year	**2020**	**2019**
	£'000	**£'000**
Company share of net liabilities at start of period	(3,869)	(3,101)
Movement in year:		
Current service cost	(190)	(197)
Employer contributions	250	235
Other finance costs	(93)	(83)
Actuarial gain / (loss)	1,896	(723)
Company share of net scheme liabilities at end of year	(2,006)	(3,869)

Changes in present value of define benefit obligation:	**2020**	**2019**
	£'000	**£'000**
Opening defined benefit obligation (including unfunded obligations)	(11,652)	(10,251)
Current service cost	(190)	(168)
Past service cost	0	(29)
Interest cost	(281)	(277)
Contributions by members		
Actuarial gain	2,861	(28)
Past service gain	0	0
Benefits paid	174	163
Closing defined benefit obligation (including unfunded obligations)	0	(1,062)
	(9,088)	(11,652)

Changes in fair value of plan assets	**2020**	**2019**
	£'000	**£'000**
Opening fair value of plan assets	7,783	7,150
Expected return on assets	188	194
Actuarial (loss) / gains	(965)	339
Contributions by employer	250	235
Contributions by members	26	28
Benefits paid	(174)	(163)
Fair value of assets at end of year	7,108	7,783

Note 10 Employees (continued)

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. Alternatively, restitution may be achieved in a different way, for example by paying compensation. In either case, the clear expectation is that many more members would see an enhanced benefit rather than just those currently subject to these protections. 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.

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

Notes to the Financial Statements continued

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

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

	Group 2020 £'000	Company 2020 £'000	Group 2019 £'000	Company 2019 £'000
Basic Salary	609	609	602	602
Benefits in kind	6	6	10	10
Employers NIC	79	79	78	78
Pension Contributions	109	109	94	94
	803	803	784	784

The emoluments of the highest paid executive director (the Group Chief Executive), excluding pension contributions, were £191,269 (2019: £187,747).

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

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

Notes to the Financial Statements continued

Note 11 (continued)

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

	2020 No.	2019 No.
£60,000 to £70,000	7	2
£70,001 to £80,000	1	5
£80,001 to £90,000	6	3
£90,001 to £100,000	1	2
£100,001 to £110,000	1	0
£110,001 to £120,000	0	0
£120,001 to £130,000	0	0
£130,001 to £140,000	0	0
£140,001 to £150,000	0	1
£150,001 to £160,000	2	1
£160,001 to £170,000	0	0
£170,001 to £180,000	1	1
£180,001 to £190,000	0	0
£190,000 to £200,000	0	0
£200,001 to £210,000	0	0
£220,001 to £230,000	0	1
£230,001 to £240,000	1	0
	20	16

Notes to the Financial Statements continued

Note 11 (continued)

Board Members Emoluments	Group 2020 £'000	Company 2020 £'000	Group 2019 £'000	Company 2019 £'000
R Auger	2	2	3	3
S Bagshaw	3	3	0	0
D Brooks	10	10	9	9
E Brown	3	3	3	3
D Cribbin	1	1	0	0
M Daunt	9	9	7	7
S Fitzhugh	1	1	7	7
S Hale	13	13	11	11
R Harding	12	12	8	8
D Hook	3	3	0	0
S Hyde	12	12	12	12
D Leathley	0	0	9	9
G Lindley	0	0	3	3
E Lock	3	3	0	0
C McMillan	10	10	3	3
P Naish	1	1	4	4
T Slater	8	8	7	7
C Smith	2	2	5	5
J Spalding	2	2	3	3
M Stevenson	20	20	11	11
T Taylor	7	7	20	20
P Tooley	4	4	7	7
R Ward	4	4	4	4
K Wooding	2	2	0	0
	132	132	136	136
Emoluments paid to FHG Chair: M Stevenson (2019/20); T Taylor (2018/19)	20	20	20	20

Notes to the Financial Statements continued

12. Tax on deficit on ordinary activities

Group and Company

	Group 2020 £'000	Company 2020 £'000	Group 2019 £'000	Company 2019 £'000
Current Tax				
UK corporation tax on surplus for the year	0	0	57	49
Adjustments in respect of prior period	(4)	(6)	0	0
Current tax	(4)	(6)	57	49
Deferred Tax				
Net origination and reversal of timing differences	40	25	3	2
Adjustments in respect of prior period	8	8	0	0
Effect of rate change on opening balance	(6)	(4)	0	0
Total tax charge	38	23	60	51

Tax reconciliation	Group 2020 £'000	Company 2020 £'000	Group 2019 £'000	Company 2019 £'000
Surplus on ordinary activities before tax	511	125	425	260
Charitable activities				
Qualifying Charitable Donation	(80)	0	(50)	0
Surplus subject to Corporation tax	431	125	375	260
Theoretical tax at UK corporation tax rate 19%	98	25	69	51
Adjustment to tax charge in respect of previous periods	(58)	(6)	(10)	0
Adjustment in respect of prior periods – deferred tax	0	8	0	0
Adjust closing deferred tax to average rate of 19%	0	0	7	5
Adjust opening deferred tax to average rate of 19%	(2)	0	(7)	(5)
Remeasurement of deferred tax, changes in rate	0	(4)	0	0
Total tax charge	38	23	60	51

Notes to the Financial Statements continued

13. Tangible fixed assets - properties

Group	Completed housing properties shared ownership	Shared ownership properties under construction	Social housing properties held for letting	Social housing properties under construction	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 April 2019	27,030	3,177	235,331	9,691	**275,229**
Additions	0	9,135	0	25,123	**34,258**
Capitalised improvements	0	0	5,424	0	**5,424**
Schemes Completed	1,379	(1,379)	17,988	(17,988)	**0**
Disposals	(513)	0	(3,372)	0	**(3,885)**
At 31 March 2020	27,896	10,933	255,371	16,826	**311,026**
Depreciation and impairment					
At 1 April 2019	673	0	45,303	599	**46,575**
Charged in year	428	0	6,620	0	**7,048**
Impairment	0	0	0	179	**179**
Released on disposal	(14)	0	(1,811)	0	**(1,825)**
At 31 March 2020	1,087	0	50,112	778	**51,977**
Net Book Value					
At 31 March 2020	26,807	10,933	205,260	16,048	**259,049**
At 31 March 2019	26,358	3,177	190,027	9,092	**228,653**

Notes to the Financial Statements continued

Note 13 Tangible fixed assets - properties (cont)

Expenditure on works to existing properties

Group

	2020 £'000	2019 £'000
Components capitalised	5,424	3,632
Amounts charged to statement of comprehensive income	1,074	1,547
	6,498	5,179

Social Housing Grant

Group	2020 £'000	2019 £'000
Total accumulated grant	39,459	33,971
Recognised in comprehensive income	4,662	3,887
Held as deferred capital grant	34,797	30,084
	39,459	33,971

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

Group	2020 £'000	2019 £'000
Freehold land and buildings	259,298	228,905

Housing properties comprise of only freehold land and buildings.

Impairment

The Group considers individual schemes to be separate Income Generating Units (IGU's) when assessing for impairment, in accordance with the requirements of Financial Reporting Standard ("FRS") 102 section 27; Impairment of assets.

Notes to the Financial Statements continued

14. Other tangible fixed assets

Group

	Freehold depot	Tools and equipment	Furniture, fixtures and fittings	Lifeline equipment	IT and Office equipment	Other land and buildings	Vehicles	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost								
At 1 April 2019	379	360	892	1,025	4,116	66	1,507	8,345
Additions	0	119	64	40	589	0	3	815
Disposals	0	0	0	0	0	0	0	0
At 31 March 2020	379	479	956	1,065	4,705	66	1,510	9,160
Depreciation								
At 1 April 2019	123	337	844	1,013	3,763	0	1,406	7,486
Charged in year	7	53	35	12	471	0	70	648
Released on disposal	0	0	0	0	0	0	0	0
At 31 March 2020	130	390	879	1,025	4,234	0	1,476	8,134
Net Book Value								
At 31 March 2020	249	89	77	40	471	66	34	1,026
At 31 March 2019	256	23	48	12	353	66	101	859

Notes to the Financial Statements continued

Note 14 Other tangible fixed assets (continued)
Company

	IT and office equipment £'000	Furniture, fixtures and fittings £'000	Total £'000
Cost			
At 1 April 2019	2,869	53	2,922
Additions	589	60	649
Disposals	0	0	0
At 31 March 2020	3,458	113	3,571
Depreciation			
At 1 April 2019	2,516	19	2,535
Charged in year	471	23	494
Disposals	0	0	0
At 31 March 2020	2,987	42	3,029
Net Book Value			
At 31 March 2020	471	71	542
At 31 March 2019	353	34	387

Notes to the Financial Statements continued

15. Investment properties

	31 March 2020 Completed investment properties £'000	31 March 2020 Investment properties under construction £'000	31 March 2020 Total £'000
Cost			
At 1 April 2019	24,753	7,909	32,662
Additions	37	914	951
Schemes completed	5,130	(5,130)	0
Disposals	(135)	(280)	(415)
Cost at 31 March 2020	**29,785**	**3,413**	**33,198**
Revaluation/(impairment)			
At 1 April 2019	2,138	0	2,138
In year revaluation	690	0	690
Disposals	(28)	0	(28)
At 31 March 2020	**2,800**	**0**	**2,800**
Carrying value			
At 1 April 2019	26,891	7,909	34,800
At 31 March 2020	**32,585**	**3,413**	**35,998**

Investment properties were valued as at 31 March 2020 at their open market value based on an independent valuation by Rupert David & Co Chartered Surveyors. The valuation was carried out in accordance with the RICS Valuation - Global Standards 2017 and the UK National Supplement (The Red Book). No allowance has been made for the liability of taxation that may arise on disposal as the activity is undertaken in a charitable entitiy and no alteration has been made to reflect the costs of selling. All valuation figures are exclusive of VAT.

The valuation report received for the year included a 'material valuation uncertainty' clause which means that at 31 March 2020, there is less certainty and therefore a higher degree of cauton should be attached to the valuation. Management conclude this does not create any material uncertainty to the financial statements as a whole.

Notes to the Financial Statements continued

16. Group and company

Investment in joint ventures	2020 £'000	2019 £'000
Cost and net book value		
At 1 April	151	151
Additions	0	0
Impairment	0	0
At 31 March	151	151

The Group has the following aggregate interests in associated undertakings.

	2020 £'000	2019 £'000
Share of fixed assets	7	7
Share of current assets	297	221
Share of current liabilities	(73)	(77)
Share of net assets	**231**	**151**
Impairment - to show movement in the year	(80)	0
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	2020 £'000	2019 £'000
Raw materials and consumables	139	86

Notes to the Financial Statements continued

18. Properties held for sale

Group	2020 £'000 Completed Properties	2020 £'000 Land and properties under construction	2020 £'000 Total	2019 £'000 Completed Properties	2019 £'000 Land and properties under construction	2019 £'000 Total
Outright sale	2,742	1,535	**4,277**	2,171		**2,171**
Shared Ownership properties	2,157		**2,157**	914		**914**
	4,899	1,535	**6,434**	3,085	0	**3,085**

19. Debtors

	Group 2020 £'000	Company 2020 £'000	Group 2019 £'000	Company 2019 £'000
Due within one year				
Rent and service charges receivable	1,427	0	1,122	0
Less: provision for bad and doubtful debts - rents	(625)	0	(349)	0
	802	**0**	**773**	**0**
Other debtors	1,805	211	1,027	125
Prepayments and accrued income	1,805	422	884	563
Corporation Tax	7	7	4	0
Amounts due from group undertakings	0	386	0	1,007
Deferred tax	13	10	57	40
	4,432	**1,036**	**2,745**	**1,735**

Notes to the Financial Statements continued

20. Creditors: amounts falling due within one year

	Group 2020 £'000	Company 2020 £'000	Group 2019 £'000	Company 2019 £'000
Trade creditors	1,031	33	1,545	652
Rent and service charges received In advance	2,805	0	2,233	0
Corporation tax	352	0	399	47
Other taxation and social security	568	336	348	236
Other creditors	1,442	345	1,033	83
Accruals and deferred income	7,938	596	5,063	943
Amounts owed to group undertakings	0	1,931	0	1,621
Inter-company loan	0	449	0	449
Deferred capital grant (note 22)	794	0	673	0
Right to buy creditor	1,022	0	954	0
Bank Loans	1,658	0	46	0
	17,610	**3,690**	**12,294**	**4,031**

21. Creditors: amounts falling due after one year

	Group 2020 £'000	Group 2019 £'000
Bank loans and bond finance (note 24)	253,890	217,000
Deferred capital grant (note 22)	34,070	29,411
	287,960	**246,411**

Notes to the Financial Statements continued

22. Deferred capital grant

	31 March 2020 £'000	31 March 2019 £'000
At 1 April	30,084	20,693
Grant received in the year	5,553	9,962
Released to income in the year	(773)	(571)
	34,864	30,084
Social Housing Grant to be released within one year	(794)	(673)
Social Housing Grant to be released in more than one year	(34,003)	(29,344)
Other Capital Grant to be released in more than one year	(67)	(67)
	(34,864)	(30,084)

Notes to the Financial Statements continued

23. Provisions for liabilities and charges

Deferred tax

	Group 2020 £'000	Company 2020 £'000	Group 2019 £'000	Company 2019 £'000
At 1 April	57	40	35	17
Amount credited to the statement of comprehensive income	(44)	(30)	24	25
At 31 March	13	10	59	42
Comprising:				
Fixed asset timing differences	13	10	59	42
Deferred tax asset	13	10	59	42

Notes to the Financial Statements continued

24. Debt Analysis

Group	2020 £'000	2019 £'000
Due within one year		
Bank loans	1,658	46

	2020 £'000	2019 £'000
Due after more than one year		
Bank loans	106,247	69,380
Bond Finance	149,109	149,109
Less: capitalised issue cash	(1,466)	(1,489)
	253,890	217,000

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

	2020 £'000	2019 £'000
Within one year	1,658	46
Between one and two years	2,611	1,659
Between two and five years	55,524	5,740
After five years	197,221	211,090
	257,014	218,535

Notes to the Financial Statements continued

24. Debt Analysis (continued)

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

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

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

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

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 vairable rates of interest ranging from 1.71% to 6.54%. The final instalments fall to be repaid in the period 2024 to 2044.

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

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

The market value of the bond as at 31 March 2019 was £180.4m, 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 2020 the Group had undrawn committed loan facilities of £54.6m (2019: £93.1m). The Group's weighted average cost of capital is 3.64%.

Notes to the Financial Statements continued

25. Financial Commitments

	Approved and contracted for		Approved and not contracted	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Expenditure on the acquisition/construction of housing properties	47,609	41,367	18,543	13,812
Repairs partnering contracts	0	0	11,895	9,396
Acquisition of other fixed assets	0	0	7,476	1,860
Total	**47,609**	**41,367**	**37,914**	**25,068**
Financed by:				
Borrowings	45,016	35,914	18,543	12,179
Operating surpluses	2,593	5,453	19,371	12,889
	47,609	**41,367**	**37,914**	**25,068**

26. Operating Leases

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

Group	2020 £'000	2019 £'000
Land & Buildings		
Due to expire - within one year	339	344
Due to expire -one to five years	80	124
Due to expire - more than five years	0	0
	419	468
Vehicles		
Due to expire - within one year	0	0
Due to expire -one to five years	0	0
	0	0
Equipment		
Due to expire - within one year	4	6
Due to expire -one to five years	0	4

Notes to the Financial Statements continued

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

	2020 £'000	2019 £'000
Surplus for the year	**11,749**	**11,128**
Adjustments for non cash items:		
Depreciation and impairment of tangible fixed assets	7,874	6,497
Pensions cost less contribution payable	799	802
Increase in trade and other debtors	(1,725)	(597)
Decrease in trade and other creditors	2,969	1,173
Decrease/(Increase) in stock and stock of housing	(3,402)	(1,210)
Profit on sale of other housing properties	(2,915)	(1,207)
Amortisation of government grants	(773)	(547)
Revaluation of Investment Properties	(662)	(1,747)
Interest payable	9,016	8,653
Interest receivable	(180)	(84)
Tax	0	0
Net cash inflow from operating activities	**22,750**	**22,861**

Notes to the Financial Statements continued

28. Financial assets and liabilities

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

Categories of financial assets and financial liabilities

	Group 2020 £'000	Company 2020 £'000	Group 2019 £'000	Company 2019 £'000
Financial assets that are debt instruments measured at amortised cost:				
Rental Debtors	802	0	773	0
Other Debtors	1,843	211	1,027	125
Amounts due from group undertakings	0	386	0	1,007
	2,645	597	1,800	1,132
Financial liabilities measured at amortised cost				
Trade and Other Creditors	1,031	33	1,545	652
Accruals	7,938	596	5,063	932
Right to buy creditor	794	0	673	0
Loans	257,014	0	218,535	0
Amounts owed to group undertakings	0	1,931	0	1,621
	266,777	2,560	226,662	3,205

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 2020 £'000	Company 2020 £'000	Group 2019 £'000	Company 2019 £'000
Short-term Money Market Deposits	24,053	0	15,000	0
Special Interest Bearing Accounts	28,716	1,777	16,333	1,497
	52,769	1,777	31,343	1,497

Notes to the Financial Statements continued

Note 28 (cont)
The interest rate profile of the Group's loan liabilities at the 31 March 2020 was:

	2020 £'000	2019 £'000
Floating rate	51,402	0
Fixed rate	205,612	218,535
Total (note 21)	257,014	218,535

The financial liabilities have a weighted average interest rate of 3.64% (2019: 3.95%). The fixed rate sums are fixed for between 2 and 13 years.

The debt maturity profile is shown in note 24.

29. Net debt reconciliation

	1 April 2019	Cash flows	Acquisition & disposal of subsidiaries	New finance leases	Other non-cash changes	31 March 2020
	£'000	£'000	£'000	£'000	£'000	£'000
Cash at bank and in hand	31,836	22,559	0	0	0	**54,396**
Bank loans	(69,010)	(38,512)	0	0	(32)	**(107,554)**
Bond	(148,036)	135			(93)	**(147,994)**
	(217,046)	(38,377)	0	0	(125)	**(255,548)**
Total	**(185,210)**	**(15,818)**	**0**	**0**	**(125)**	**(201,152)**

Notes to the Financial Statements continued

30. Related parties

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

During the year the Company paid £200 (2019:£1,200) to Access Training, a company with whom the Group has a beneficial interest in respect of sponsorship of an event.

Futures Greenscape Limited

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

Transactions with non regulated Group members

During the year the Company received £42k (2019: £35k), from Futures Greenscape Limited and £41k (2019: £41k) from Limehouse Developments Limited. This is allocated on the basis of staff time. The Company also received £98k (2019: £89k) 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 £8k 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 £67.4m and from Futures Treasury PLC of £99.1m. Futures Homeway Limited has loans in place from Futures Finance Limited of £38.5m and Futures Treasury PLC of £49.6m.

Futures Finance Limited has received loan interest from Futures Homescape Limited of £2,054k and from Futures Homeway Limited of £1,498k. Futures Treasury PLC has received loan interest from Futures Homescape Limited of £3,485k and Futures Homeway Limited of £1,744k.

Futures Homescape Limited and Futures Homeway Limited paid £1,231k and £611k respectively (2019: £1,116k and £601K) to Futures Greenscape Limited for the provision of ground maintenance services and void works. Futures Homescape Ltd also received £47k (2019: £60k) for maintenance services from Five Doorways Homes Ltd.

Futures Homescape Limited received £109k (2019: £109k) for the provision of vehicles to Futures Greenscape Limited. Futures Homescape Limited has a loan in place to Limehouse Developments Limited of £3.2m to fund the development of homes for outright sale and has received £94k in interest payments.

The Group Executive Directors are considered to be the key management personnel of the Company. Disclosures in relation to their remuneration is included in note 11.

Notes to the Financial Statements continued

31. Interest in Subsidiaries

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

32. Post Balance Sheet Events

The Group has considered the financial impact of Covid-19 since the balance sheet date of 31 March 2020. The Group's view is that there are no post balance sheet events that require the amounts in the accounts to be adjusted. This conclusion is supported by regular cash flow monitoring, budget monitoring and updated financial forecasting. The £50m retained bond was sold in June 2020 to strengthen liquidity across the Group to enable risk to be managed effectively.