

Company No: 02679915
Charity No: 1008587



ANNUAL REPORT & FINANCIAL STATEMENTS

**FOR THE YEAR ENDING
31 MARCH 2021**

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Alternative Futures Group Limited Chair's Statement

After 14 privileged years at Alternative Futures Group (AFG), and 8 years as Chair, this will be my last entry in the accounts following my decision to step down effective 31st October 2021. In all my years leading the organisation, this must be the most extraordinary year, not only for the Charity, but also for global society as a whole.



We started 2020/21 with the onset of the Covid-19 pandemic and the unknown challenges it was going to bring to the organisation and the way we would live. In Health & Social Care provision, the Covid-19 challenges were extremely acute, with not only the requirement to protect the people we support, but also the need to protect our workforce in delivering front-line services.

Despite all the challenges the organisation faced through two unprecedented waves of Covid-19, PPE shortages, lockdowns etc., our staff acted incredibly bravely, tirelessly, and diligently to ensure our services continued providing high quality, amazing, care to the people we support.

The Board and I remain immensely proud and humbled by the stories of staff going the extra mile to ensure the safety, continuity of support, and normality of life (where possible) for the people we support during such a tough set of circumstances. We were also amazed by the sacrifices staff made in extreme circumstances, such as locking down in services, working extra shifts, and walking to work when public transport failed them.

To this end, I would like to pass on my sincere, personal thank you along with the gratitude of the entire Board to all our front-line workers for all they did, and continue to do, during this pandemic. You are all superheroes and your dedication to your role and the people we support is incredible.

Tragically, the organisation did not escape the devastating impact of Covid-19, and sadly 2 staff and 6 people supported lost their lives during 2020/21. Our hearts and thoughts will be with them and their families, always.

To test the organisation even further, during storm Christoph in January 2021 our largest independent hospital Lea Court in Warrington suffered a significant flood. Staff and patients were rescued by the emergency services in the middle of the night by boat! Once again the organisation rallied and following a short stay and recovery at our head office, all patients were safely repatriated the following evening to our other hospital facilities or to that of partner organisations. We have since completed a full clean-up and renovation of the unit over a 10-month period, and re-opened it as our flagship hospital in late-November 2021. My thanks and appreciation goes out to all the staff who kindly and unselfishly supported the evacuation and re-housing of the people we support that very difficult and challenging day.

Whilst the year was dominated by Covid-19, the organisation continued with the launch of its 5-year strategic plan. Our goal, to trailblaze once more and make AFG the leading provider of digitally-connected support services. At AFG, we recognise that many of the people we support have a real opportunity to increase their self-independence and inclusion through the use of digital technology, much of which is already available to them today. AFG will lead the way to make this a reality for them and help them achieve the greatest level of independence, choice and control they can. In 2020/21, we commenced a number of pilots to explore these opportunities with a view to integrate successes into our future service models.

Our strategic plan was equally focused on addressing the organisations current financial challenges in order to move the organisation to a stronger position of financial stability. I am pleased to report that at the end of this financial year, the overall organisation returned an operating surplus, our first surplus in 5 years, showing that our strategic plan is working and on track to move us into a more financially sustainable position over the near future.

As part of our financial plan, we also continued our cost reduction programme. In 2020/21, we made several property disposals including the sale of Childwall Brook and Tesito House. These were planned disposals of two independent hospitals that were no longer in service or required by our

Alternative Futures Group Limited Chair's Statement

commissioners. Similarly, the organisation made a bold decision during Covid-19 to move all head office staff to home working. This accelerated our plans to downsize from our large corporate head

office and find a new home more fitting to AFGs future plans. We disposed of Lion Court mid-2021 and we currently are seeking a new head office to meet our future strategic needs. I would like to thank all our corporate staff for their seamless transition to home working and their continued hard work in supporting our operational colleagues.

I am also delighted to report that the Annual Business Plan achieved the majority of its key aims, objectives and financial targets for the year (Covid-19 impact aside). Our key highlights being the launch of our new Quality Assurance Framework and the launch of our Butterfly Moments initiative. For the latter it was fantastic to see so many Butterfly Moments captured on digital image on the organisation's Yammer channel. Creating a world where people control their lives is our vision and to see the people we support achieve so many of their personal goals in their lives is fantastic. Congratulations to all of them.

In our markets, Adult Social Care has continued to lack the critical investment it requires at Local Authority level as the Government failed to address the reform and funding required in social care. In Mental Health provision, despite some increased Government funding, the planned changes in local commissioning and partnership working have paused whilst the NHS continues its creation of the new Integrated Care Systems (ICSs).

As for funding, in Adult Social Care, Local Authority care rates for supported living day support increased in line with National Minimum Wage by an average of 2.2% with many commissioners freezing rates for night-time support (waking night and sleep-in). Local Authorities continued to not recognise the costs associated with Support Worker enhanced terms and conditions despite the organisation further championing these benefits. In Mental Health, the NHS and Clinical Commissioning Groups awarded providers with a 1.5% rate increase, meaning our Mental Health Rehabilitation Services again fell short of covering the Charity's cost increases from NMW (2.2%) and inflation (2%). Consequently, our financial situation remains extremely challenging and we continue to seek more ways of improving our cost efficiency without compromising the quality of services.

In the year, we have seen no changes to our excellent Executive Team, led formidably by Ian Pritchard our Chief Executive. On behalf of the Board, I would like to pass on our sincere thanks to them and all of the senior leadership team their commitment, hard work and leadership in ensuring the organisation continues to successfully deliver its strategic plan and navigate its immediate and long-term challenges.

In summary, we close this financial year a step further to a much more financially sustainable and purposeful position for the organisation than we did at the close of financial year ending March 2020. Today, more than it has in the past 5 years, AFG remains robust, operationally resilient and stable, with an improving financial outlook and a secure asset base. Reputationally, the organisation continues to be held in high regard by our many loyal commissioners, the people we support and their families, who value our services, our staff, and our values, and see us as their trusted partners.

Looking ahead, I have total belief that AFG now has the right foundations and strategy to create a financially sustainable and successful future and return to the trailblazing organisation it was back in 1992. I look forward to keeping in touch with the organisation and continuing to watch and hear the amazing stories it creates. To close I would like to relay my final thank you to all those in the organisation;

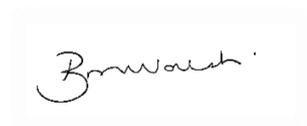
My special thanks to the amazing people we continue to support on a daily basis, they continue to be our inspiration, at the heart of everything we do and remain at the forefront of our mission and vision for the future.

My thanks also to the front-line colleagues, managers and corporate staff at AFG for the fantastic professional and dedicated work they do for our beneficiaries.

My thanks also go to my colleagues on the Board, whose experience, time and dedication helps us to continue to lead the business through its current and future challenges.

Alternative Futures Group Limited Chair's Statement

Finally, thank you to the organisation for 14 happy, privileged, and memorable years. I wish the organisation all the very best for its 30th year in 2022 and of course its future beyond.

A handwritten signature in black ink, appearing to read "Brian Walsh", enclosed within a light gray rectangular border.

Brian Walsh (on behalf of Chris Hannah)
Chair of Alternative Futures Group

Alternative Futures Group Limited
Trustees, Executive Officers, Company Information and Advisors

Trustees:

Trustee	Position	Changes in the Year
Chris Hannah	Chair of the Board	Resigned 31 October 2021
Brian Walsh	Chair of the Board	Appointed 1 November 2021
Iain Bell	Chair of Audit & Risk Committee	
Jonathan Lloyd	Chair of Performance Committee	Resigned 10 November 2021
Mike Clarke	Chair of Red Hazels Developments Limited	
Jane McDonald	Chair of Quality and Safety Committee	
Linda Whalley		Interim Chair of Performance Committee – effective 10 November 2021
Janet Wilkinson	Chair of Appointments Committee & Remuneration Committee	
Claire Harris		Appointed 29 January 2020 Resigned 15 October 2021
Neil Matthewman		Appointed 29 January 2020 Resigned 14 October 2020
Andrew Denton		Appointed 22 April 2020 Resigned 8 July 2021
Michelle Wood		Appointed 14 September 2020
Alex Fox		Appointed 10 November 2021
Nicola Cook		Appointed 10 November 2021
Helen Bellairs		Appointed 10 November 2021

Executive Officers:

Executive Officer	Position	Changes in the Year
Ian Pritchard	Chief Executive Officer	
Kirsty Muldoon	Director of Learning Disability, People and Digital	
Chris Stephens	Director of Finance, Procurement, Estates & Risk	
Christopher Hughes	Director of Mental Health and Quality	
Andrew Kendall	Director of Corporate & Commercial Development	

Alternative Futures Group Limited
Trustees, Executive Officers, Company Information and Advisors

Company Information and Advisors:

Company Registration Numbers:	02679915 Companies House 1008587 Charity Commission
Registered and Principal Office:	Lion Court Kings Business Park Prescot Knowsley Merseyside L34 1BN
External Auditors:	RSM UK Audit LLP 20 Chapel Street Liverpool L3 9AG
Internal Auditors:	Beever & Struthers St George's House 215-219 Chester Road Manchester M15 4JE
Investment Advisors:	Stanhope Consulting 35 Portman Square London W1H 6LR

Bankers:	HSBC Bank plc 99-101 Lord Street Liverpool L2 6PG	Barclays Unit 3 Riverside 2, Campbell Road, Stoke on Trent, Staffordshire. ST4 4RJ	
Principal Solicitors:	DWF 1 Scott Place 2 Hardman Street Manchester M3 3AA	Pannone Corporate LLP 378-380 Deansgate Manchester M3 4LY	Brabners LLP Horton House Exchange Flags Liverpool L2 3YL

**Alternative Futures Group Limited
Report of the Trustees and Strategic Report
For the year ended 31 March 2021**

The Trustees of Alternative Futures Group (AFG) present their report and audited financial statements for the year ended 31 March 2021. The Trustees have prepared this report under the Companies Act 2006, and in accordance with Financial Reporting Standard 102 (FRS 102) as applicable in the UK and Republic of Ireland, and the Statement of Recommended Practice (SORP) applicable to charities preparing their accounts in accordance with FRS 102.

Legal status

Alternative Futures Limited was founded in 1992 and changed its name to Alternative Futures Group Limited (AFG) in 2007.

During the year the Group consisted of two legal entities:

- Alternative Futures Group Limited - a company limited by guarantee (Company Registration Number 02679915), a registered charity (Charity Commission Number 1008587), and a Public Benefit entity. AFG is governed by its Articles of Association, which were last amended in May 2014.
- Red Hazels Developments Limited, a private limited company limited by shares (Company Registration Number 09498298), founded in 2015 as a wholly owned subsidiary of AFG to deliver commercial activities.

The Trustees of AFG are its Directors of the charitable company for the purposes of Company law. The Trustees who served throughout the year and up to the date of signing this report are listed on page 4.

Charitable Purpose

AFG's charitable purpose is to offer relief to people with learning disabilities, mental health or any other special needs, and to relieve the stresses and financial needs through, but not limited to, the provision of accommodation, support, education and training.

Each year, the Trustees lead a review of performance against our charitable objects, aims and objectives, using the results from that to inform and formulate our future plans and ensure that the Charity continues to deliver high quality services in line with its purpose.

Corporate Plan: Mission, Values and objectives

AFG is one of the leading charitable providers of learning disability and mental health support services in the North West of England, changing lives and creating independence for the people it supports. We are proud that our accommodation and services improve the quality of life and independence for some 905 people.

Our Vision:	A world where people control their lives
Our Mission:	Together with our people and partners we will unlock skills, gifts and talents to support everyone's right to choose and achieve their aspirations

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Our Values:	We are one	We succeed together with a shared purpose and vision.
	We raise the bar	We learn from the past, are adaptive and excited by our future. We innovate and lead the way. We strive for best quality with least waste. Better never stops.
	Every person matters	We are people focused and value skills, gifts and potential. We listen. How people think and feel, matters. Everyone has a voice.
	We make a positive difference	We change lives. Our 'can do' attitude and passion enables people to be the best they can be.
	We take ownership	We do the right thing, are solution focused and get results. We are responsible for our behaviour and hold each other to account.

How we deliver our Mission and Vision is underpinned by our Values, which were refreshed and re-launched during 2018 following consultation with our staff and the people we support. Our new values act as our organisational compass, everybody within AFG strives to demonstrate these values every day, and in everything that we do.

Principal Activities

AFG is a not-for-profit, trading charity that provides a broad range of care and support services for; (1) adults with learning disabilities, autism, acquired brain injury; (2) adults with a mental health treatment and rehabilitation need.

For learning disabilities, autism and acquired brain injury, our services cover a wide-range of supported living and outreach services to enable the people we support to live their lives to the maximum levels of independence and control they can achieve.

For mental health, our services extend from short-term clinical rehabilitation support to people with long-term mental health issues in our six independent hospitals, through to supported living and outreach services, which enable people to move up and down that pathway as their support needs change. Our offer enables us to provide a wide-ranging service through a number of interventions on that pathway and a range of other community models.

Person-centred care is at the core of our work. As such, we provide personalised support services appropriate to the individual aspirations hopes, and ambitions for the people we support. Our personalised support continues to evolve over time alongside the changing support needs and aspirations of the people we support.

In 2020/21, we introduced a number of new digital pilots into our service activity. The organisation is aiming to become a pioneer in the use of digital technology to assist the people we support navigate and succeed in the modern world gaining even greater independence, choice and control of their lives.

During 2020/2021, our residential and non-residential activity was funded through contracts with either Local Authorities or the NHS.

Public Benefit

Alternative Futures Group is a Public Benefit Entity. In accordance with our objectives and activities for 2020/21, and with due regard to the Charity Commission's guidance on the operation of the public benefit requirement of the Charities Act 2011, the Trustees confirm that AFG has undertaken

Alternative Futures Group Limited
Report of the Trustees and Strategic Report
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appropriate activities during the year which further our purpose for the public benefit, which are set out in the Principal Activities section above.

Governance Structure

The organisation operates under the regulations and guidance of both the Charity Commission and the Care Quality Commission.

The Board is led by the Chair and the support of up to eleven voluntary Trustees. The Chair and Trustees bring a range of senior professional, commercial and sector experience to the organisation.

The Board is responsible for determining and setting the strategic direction of the organisation as well as responsible for reviewing its operating and financial position. The Board is also responsible for establishing and overseeing the organisations control and risk management frameworks and ensuring the organisation achieves its aims and objectives. The Board meets formally at least four times a year.

Under the Articles of Association, Trustees serve a term of up to three years, and may be considered for a maximum of three terms. The Chair may serve a maximum of three terms of office. A skills analysis of Board Members has been undertaken, and each time a Board vacancy arises, consideration is given to the skills and competencies required to continue to manage the future risks and challenges that the organisation faces.

Trustee recruitment is led by the Appointments Committee, which is chaired by Janet Wilkinson. The Appointments Committee make recommendations to the Board on the appointment of Trustees, the formal appointment of Trustees being a power reserved to the Board. Trustee recruitment is supported by independent specialists where required. New Trustees receive an induction and training programme tailored to their needs, and regular Board development events are held to maintain skills. Annual assessments of performance for the Board, the Committees and individual Trustees are led by the Chair with the support of the Appointments Committee.

The subsidiary, Red Hazels Developments Limited, has 2 Board Members, Mike Clarke (Chair), and the Chief Executive, Ian Pritchard.

Board and Executive Officers Remuneration

The Chair of the Board receives remuneration from the organisation in the form of an honorarium, as well as reimbursement of expenses incurred. The remaining Trustees are not remunerated and receive only reimbursement of expenses incurred. The Chair's remuneration is based on independent national and sector benchmarking and is approved by the Remuneration Committee.

The remuneration of the Executive Officers including the Chief Executive is determined by the Board. Executive pay is subject to regular sector benchmarking undertaken by the Remuneration Committee.

Board Committees

The Board delegates some of its responsibilities to the Committees; Audit & Risk Committee, Finance & Performance Committee, Quality & Safety Committee, Appointments Committee & Remuneration Committee.

Audit & Risk Committee

The Audit & Risk Committee met six times during the year and its work included:

- reviewing the external auditor's plans for the audit of the Group's financial statements;
- reviewing the external auditor's management report and audit highlights memorandum;
- reviewing the financial statements for the year;
- agreeing the internal audit plan for the year and reviewing reports from the internal auditors on the Group's system of internal control, monitoring and responding to those reports and compliance with recommendations; and
- reviewing the processes in place for monitoring, evaluating and managing the risks facing the Group, including deep-dive discussions relating to the Group's strategic risks.

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Performance Committee

The Performance Committee met seven times during the year and its work included gaining assurance on:

- all aspects of financial and operational performance.
- project management office activities linked to investment and strategic business plan.
- treasury management and investment performance, including loan covenant compliance.

Quality & Safety Committee

The Quality & Safety Committee met four times during the year and its work included gaining assurance on:

- all aspects of operational quality and safety within our services and estates.
- regulatory compliance to care quality commission and commissioner requirements.
- serious events, complaints and whistleblowing incidents.

Appointments Committee

The Appointments Committee met on three occasions during the year, and is responsible for:

- Trustee succession planning and recruitment:
- identifying, approving and appointing the Chair and Members for each committee.

Remuneration Committee

The Remuneration Committee met on four occasions during the year, and is responsible for:

- recommending to the Board the organisation's pay framework.
- recommending the terms and conditions of employment for the Chief Executive and the Executive Directors, and their annual salary review.

Salaries for Executives are benchmarked with sector comparators.

Governance Code

The Board has adopted the principles of the Charity Commission Code of Governance.

Employees

The strength of the organisation, and its ability to meet its charitable purpose and vision lies in the quality, commitment and contribution of its employees. We actively encourage the involvement of employees in our decision-making process, and to do that we have an elected Employee Partnership Forum (EPF), which is jointly chaired by the CEO and a staff representative. The EPF is the formal staff negotiating and consultative body for all employee-related matters, and includes representatives from recognised Trade Unions, Unison and the Royal College of Nursing. The body meets every eight weeks.

We provide information to our employees throughout the year on AFG's objectives, progress and activities through regular team meetings, and monthly briefings from the Chief Executive and the Executive Team. We have a People & Organisational Development Strategy in place, which recognises the importance and contribution of the employees to the on-going success of the Group, and we recognise the achievements of our employees through our "Celebrate Success" awards.

This year's Employee Engagement Survey (EES) results received our best return rate to date of 55% as well as a high engagement score of 80%. The results were extremely positive considering the challenging environment we operate in and the impact / risks of the Covid-19 pandemic. Action plans were created and executed at team and organisational level in response to the feedback.

Health & Safety

The Board is aware of its responsibilities on all matters relating to health and safety. The organisation has detailed health and safety policies and a robust safety management system in place and provides training and education to all of our staff on health and safety matters appropriate to their role.

The Executive Team, led by the Chief Executive, are responsible for the day-to-day running of the business. The Executive Team work closely with the Board to develop and execute the organisation's strategic objectives. The members of the Executive Team are shown on page 4.

Covid-19

The onset of the Covid-19 pandemic in early 2020 represented a significant health & safety risk for our staff and the people we support, and as such a major operational risk and challenge for the organisation. The Government and Local Authorities were slow to respond to provider needs and increased costs during the first wave of Covid-19. Subsequent to that, infection control monies provided by the Government and Local Authorities were inadequate and prioritised to the regulated Care Home sector, largely ignoring non-regulated Supported Living and Homecare services.

As part of the organisation's response to Covid-19, the organisation closed the head office and directed all 80+ corporate staff and executives to work from home. The organisation had made previous investments in IT and training which allowed for a successful and seamless transfer to remote working practices. This practice continues today with all corporate and management staff now permanently working from home.

In our services, the organisation followed (the ever evolving) Government and Public Health England COVID guidance for the Support Living sector. New risk assessments, operational processes and guidelines were put in place and continually updated to ensure we operated all our services effectively and safely to protect both staff and the people we support. The organisation made significant investments in personal protective equipment for use in services and created service-level contingency plans to cover significant outbreaks and lockdowns. Operational managers were kept out of services to limit transmission risk and to provide a contingency workforce where required. Service quality checks were maintained and performed digitally by managers and the quality team during lockdown phases.

During the peak of both waves of the virus, the organisation successfully dealt with >200 staff (approx. 10%) of the workforce absent due to self-isolation or infection. Approximately 50 staff were furloughed due to being clinically extremely vulnerable. Sadly, the organisation lost 2 fantastic colleagues and 6 beloved people supported as a result of the first two waves of Covid-19 (see Going Concern section of the Strategic Report).

Equality and Diversity

The organisation is committed to equality of opportunity for all employees, and to having a diverse workforce that reflects the communities within which we operate. We are also committed to supporting disabled people, both in recruitment and in retention of employees who become disabled whilst employed by the organisation.

The organisation ensures that staff recruitment, discipline and development issues are dealt with equally and that all employees are treated in the same way.

Social Impact & Value

We have been working with Social Value UK to develop our approach to social value. We plan to achieve Level 1 Commit by the end of March 2022.

AFG takes an ethical, values-based and environmentally sustainable approach to how we conduct our business. As a charity providing support to people with disabilities, we are committed to being socially responsible. Our Charitable Purpose, alongside our Vision, Mission and Values, evidence our position as a values-led organisation and a responsible employer within the communities we work. This is underpinned by our approach to service delivery, service development, and performance

improvement. In addition, we continually engage our stakeholders, particularly our local communities, in the work we do. In each community we serve we consider the social value we bring: To the people we support; the employment and development opportunities for local people; and the positive impact we can bring to the wider community.

In 2020/21, a significant part of our social value activities were somewhat restricted by Government restrictions due to Covid-19. We hope to return to a full schedule of activity in future years.

Streamlined Energy and Carbon Reporting

Under Statutory Instrument SI2018/1155, the Charity is required to report on energy usage and carbon emissions.

In discharging its duties under this requirement, the Charity engages the services of a third party to calculate its energy usage and carbon emissions. The calculation refers to all energy usage billed during the period, with the calculation including all months and all sites.

The energy usage of the Charity for the year ended 31 March 2021 is 2,275,082 kWh (1,595,631 kWh of which relates to gas, 667,878 kWh of which relates to electricity and 11,573 kWh relating to transport fuel), (2020:3,551,695 kWh). Emissions from the combustion of gas tCO₂e are 293.39 tonnes CO₂e (2020: 462 tonnes CO₂e), emissions from the combustion of fuel for transport purposes are 2.90 tonnes CO₂e (2020: 20 tonnes CO₂e) and emissions from purchased electricity are 155.7 tonnes CO₂e (2020: 245 tonnes CO₂e). This equates to an Intensity Ratio of 71 kg CO₂ per m² per hospital space (2020: 0.4 tCO₂e/FTE).

The methodology adopted is the "Shift" methodology, using DEFRA (2020) conversion factors in line with the Environmental Reporting Guidelines (2020), as the majority of the financial year falls in to the 2020 calendar year.

There were no other material emissions as a result of the organisation's activities.

We are currently developing our plans to get to Net Zero Carbon which will be ahead of 2050. As a consequence of the sale of our Head Office and home working arrangements for corporate employees, we have made substantial carbon emission reductions. Over the next few years, we intend to roll out a range of environmental measures across all our estates as well as supporting and training all our staff to reduce their environmental impact both at work and at home. The planned estates measures will include: LED lighting, solar panels, moving away from gas boilers to electric heat pumps, and additional insulation where required.

Related Parties and Co-Operation with Other Organisations

Other than the Chair, the Trustees do not receive remuneration from their work with AFG. Remuneration for the Chair was agreed with the Charity Commission in 2011. The remuneration of the Chair is considered annually by the Remuneration Committee. Details of the Chair's remuneration are set out in note 8. There were no other transactions with Trustees, and no connections between Trustees and Senior Managers have been disclosed during the year. Therefore, no related party transactions have been reported.

Engaging with the People We Support

The people we support are at the heart of everything we do at AFG. In a challenging year with the COVID-19 pandemic and lockdowns we have been creative and done things differently.

With the help and support of our frontline operational staff, we kept everyone actively involved through virtual get togethers, competitions and daily activities. Digital technology, social media and video calls kept things as normal as possible and enabled the people we support to keep in touch with their friends, family and loved ones. The people we support have continued to be involved in recruiting and interviewing new support staff. Being confident to give an opinion and be part of the decision-making process about who support them results in better outcomes for all.

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In day-to-day activity, the people we support have key roles in our Butterfly Moments Committee. The committee manages a butterfly fund used to co-create events and activities for everyone. We've previously had great success with our annual AFG Fun Day bringing together the people we support from across all our services. We had to take the tough decision this year to postpone the event due to COVID-19 but we are committed to hosting this again next year. The committee are also working on a new Service User Conference, which we'll launch next year. This will provide additional opportunity to share insight and gain feedback on things that are important to everyone we support.

We capture and celebrate our amazing 'Butterfly Moments'. Those positive moments in life where someone we support has achieved something important in their day-to-day life or achieved a personal goal. We build on these moments and look at the future possibilities we can achieve together. We continue to seek feedback from the people we support through conversation, feedback groups and an annual survey. This helps us to continuously improve both individual support plans and the way our local services are delivered.

Internal Control Assurance

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

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

In meeting its responsibilities, the Board has adopted a risk-based approach to establishing and maintaining internal controls, which are embedded within the day-to-day management and governance processes. This approach includes the regular evaluation of the nature and extent of the risks to which the Group is exposed.

A process for identifying, evaluating and managing the significant risks faced by the Group is ongoing, and has been in place throughout the year up to the date of the approval of the annual report and financial statements. The Audit & Risk Committee regularly receives and considers reports from the Group's senior leadership and its auditors about risk management and internal control arrangements.

The arrangements adopted by the Board in reviewing the effectiveness of the system of internal control, together with some of the key elements of the control framework, are set out below.

Corporate Planning and Budgeting

The corporate planning and budgeting process is used to set objectives, agree action plans and allocate resources. The Group's progress towards meeting the strategic and annual objectives is monitored monthly by the Executive Team and quarterly by the Performance Committee and the Board.

The Group's annual budget was approved by the Board at the start of the 2020/21 financial year.

Audit & Risk Committee

The Audit & Risk Committee reports to the Board on internal controls and alerts them to any emerging issues. The Audit & Risk Committee ensures that corrective action is taken in relation to any significant control issues highlighted by the internal and external auditors. As part of its review of the organisation's internal control system, the Committee oversees the performance of the internal and external auditors. The Audit and Risk Committee provides advice to the Board and provides an annual review to them, through the internal auditors, which focusses on the effectiveness of the internal control system, including the Group's systems for managing risk.

Internal Audit Programme

Internal Audit is an important element of the internal controls process. Internal Audit is responsible for the annual review of the effectiveness of the internal control system within the organisation.

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Effective 17 April 2020, Beever & Struthers were appointed as the internal auditor provider for the Charity. The internal audit programme for 2020/21 provided both assurance and advisory support to the Trustees and the Executive team and have helped improve the internal control environment within the organisation.

External Audit

External Audit provides feedback to the Board on the operation of the internal financial controls reviewed as part of the annual audit of the year-end accounts and financial statements. Each year, after the year-end audit, a management letter is presented to the Board.

As part of the quarterly Board reporting cycle, reports outlining the latest operational and financial results compared to the target for the year, and statutory compliance reports, are presented, enabling the Board to maintain oversight of the Group's strategic performance and on-going compliance.

Engagement with suppliers, customers and others in a business relationship

Included within the strategic report on page 19-21 is the Section 172 statement that includes further details regarding how the Charity fosters relationships with suppliers, customers, service users and others with whom it has a business relationship.

STRATEGIC REPORT

Achievements, Performance & Public Benefit

During 2020/21 we have continued our focus on the key strategic aims of:

- Expand our reach and positively impact more lives - achieving the personal goals and ambitions for the people we support (Butterfly Moments).
- Achieve financial stability and sustainability.
- Become the provider, partner and employer of choice.
- Become a market leader in digitally-connected support.
- Develop and deliver high quality, outcome-based services.

The organisation continues on its journey to a financially sustainable future with this year's aim to achieve at least a break-even position or small deficit.

We continue to grow slowly and modestly as an organisation with a number of new services commencing across our footprint. Despite the restrictions of Covid-19, we achieved our target of Butterfly Moments for the year, many of which incorporated aspects of the people we support interacting with technology during lockdown.

We were delighted to build our employee engagement scores and return rates. Our first all digital survey recorded a 55% return rate and an 81% EES score.

We commenced 10 digital pilots in the year as part of our digital strategy implementation, with fantastic feedback from staff and the people we supported. A particular high note was the success of our robotic dogs.

Alongside this the organisation has maintained AFG's high quality of service provision in all our services and for those in regulated activity to (at least) a minimum CQC rating of "good" in all domains within Supported Living and Adult Care Homes (ACH), and in all except one of its Treatment & Recovery Centres. Further, One TRC is rated as overall Outstanding, and the ACH is rated Outstanding for Effective Care. One of our Treatment & Recovery Centres, Weaver Lodge, received a Requires Improvement rating from its last inspection in March 2019. The issues identified were rectified immediately and according to our CQC Engagement visits the service has been considered as low risk since then, so there has been no re-inspection or re-rating of the service.

Financial stability

An overview of the financial performance of the individual entities is provided below:

- Alternative Futures Group Limited achieved a surplus for the year, after interest and tax, of £1.21m, including investment income of £0.8m (2020: £2.05m deficit);
- Red Hazels Developments Limited made a deficit of £NIL (2020: £2,456 deficit);
- Overall, the funds of the Group amount to £24.8m (2020: £23.6m)
- The year on year reduction in underlying Income arises due to the loss of the Tameside contract, albeit with a consequential reduction in associated costs.

The amounts in the remainder of this section relate to the consolidated Group position only.

Operating performance

The Group's Net Income/Expenditure for the year was 2.6% (2020: -3.4%), resulting in a surplus for the year of £1.2m (2020: £2.1m deficit). Whilst the prior year performance was adversely impacted by the establishment of a credit note provision with a value of £1.4m, the current year performance benefits both from the receipt of furlough monies and from higher than usual levels of income/gains on the investment portfolio (2021: Income/Capital Gain of £0.8m, 2020: Income/Capital Loss of £0.2m). The year on year reduction in Income reflects the loss of the Tameside contract, although cost reduction actions taken help to mitigate the overall impact of the performance of the Charity. The current year numbers also include exceptional items relating to the impairment of Lion Court, £1.5m and profit arising on the disposal of properties, £1.1m (note 5).

The underlying performance of the supported living part of the business provides an indication of the on-going challenges of the social care sector in the UK, which continues to go through a period of

sustained austerity, alongside an increasing cost base driven primarily by above inflation increases to National Living Wage. The key challenges that the Trustees have faced during the year include:

- maintaining income from our commissioners at a level which is sufficient to cover the increasing statutory costs of the National Living Wage;
- financial and operational challenges associated with the Covid-19 pandemic;

To help mitigate the impact of these issues the Trustees:

- continued to look for opportunities to both deliver operational cost savings and to ensure capital assets no longer required are disposed of efficiently at market value;
- have an ongoing process to monitor the viability of contracts with our commissioners;
- have further developed the Cost Model that helps to inform both internal opportunities for cost savings to be realised, as well as pricing discussions with our commissioners;
- continue to operate a variable sleep-in rate model for staff so the amounts we pay staff for sleep in shifts are commensurate with the levels of income we receive from our commissioners;
- ensure all covid monies offered by commissioners have been claimed.

Whilst the organisation has delivered a Surplus for the year of £1.21m, a significant contributor is the "super" investment income returns of £0.8m, as financial markets have started to recover as a consequence of the Covid-19 vaccine roll out. Included within the reported surplus is a loss of £1.5m relating to the impairment of Lion Court, and a profit arising on disposal of properties of £1.1m. Looking forward, the underlying operating performance of the Supported Living area of the business continues to require ongoing attention to ensure the longer-term viability of the Charity.

Quality remains a key priority for the Board, and we are pleased to report that we have maintained strong performance against the Care Quality Commission (CQC) standards across all our Treatment & Recovery Centres.

Quarter 1 of 2020 saw the start of the growth of the COVID-19 pandemic, both across the globe and in the UK, with the country going into "lockdown" on the 23 March 2020. The growth of the pandemic means that many organisations (including AFG), economies and health systems have been impacted across the globe. Actions taken by the organisation can be seen in the Strategic Risks section, with the impact also considered as part of the Going Concern review.

Business Development and Growth

During the year we developed our Learning Disability offer for young people in transition which several commissioners have shown an interest in. We reviewed the scope for expansion in direct payments but concluded that opportunities were relatively limited. In Mental Health we carried out a comprehensive review of the North-West market which has enabled us to develop a targeted action plan for growth.

During the year, we were successful in winning places on frameworks in Lancashire, Rochdale and Cheshire West and Chester which will all provide future opportunities.

We have started the implementation of our new Finance & Procurement System which will be completed in the 2021/22 financial year. Additionally, through a procurement process the organisation has selected a new Care Management system which will replace the ageing Carista system. The new Care Management System will be piloted in 2021/22 with wider roll-out in the following year.

During the year we also piloted digital projects using technology to improve the independence and quality of life for the people we support. This will inform our work to become a market leader in digitally connected support.

Financial Review and Results

An overview of the financial performance of the Group is included within the financial stability section above.

Defined Benefit Pension Funds

The Lancashire County Pension Fund Defined Benefit and the Greater Manchester Pension Fund Defined Benefit scheme reported a pension asset of £701k at 31 March 2021 (2020: £1,014k), since the charity is unable to recover any surplus through either reduced contributions in the future or through refunds from the scheme this has not been recognised. The actuarial loss from the two schemes of £298k (2020: £159k gain) and the favourable movement in the derecognised asset of £313k (2020: £114k adverse) are both shown through other gains and losses on the face of the consolidated statement of financial activities.

Treasury Management

During the year the organisation repaid the loan facility it had in place with Barclays Bank Plc. The loan was settled using the proceeds from the sale of Tesito House.

Surplus cash is invested across a diversified portfolio of investments. At the end of the year the total value of the portfolio assets amounted to £9.844m (2020: £4.010m). There was an unrealised gain on investment of £0.712m (2020: £1.060m unrealised loss) during the year and a realised gain of £0.029m (2020: £0.722m). The funds held in investments are used to further the charitable purpose and public benefit. The return on investment was £0.162m (2020: £0.155m) excluding Unrealised Gains and Losses within the Portfolio Market Valuation for the year.

The Trustees are satisfied that the investment assets attributable to each of its individual funds are available and adequate to fulfil its obligations in relation to those funds.

Cash flows

Cash inflows and outflows for the year are set out in the cash flow statement. Net cash inflows from operating activities are from the delivery of our core services and amounted to £4.825m (2020: (£15k)). The movement on financing activities on page 31 show the repayment of loans which amounted to £3.001m (2020: £0.34m). The most significant cash flows arise from the purchase of investments £5.3m and the sale of fixed assets £5.1m. The Group's cash balance at the end of the financial year was £4.909m (2020: £3.556m).

The Group ended the year with net current assets of £2.460m (2020: £1.001m).

Property Disposals

Three properties were sold during the financial year, with a further property (see property impairment section below) being sold between 31 March 2021 and the signing of the financial statements. Details of the disposals can be seen in Note 28 of the financial statements.

Property Impairment

Included within the Income & Expenditure Account is an impairment of £1.532m relating to the property known as Lion Court.

During the year a decision was made to permanently move all corporate staff previously working out of Lion Court to home based working arrangements. As the property was therefore no longer being used as the head office of the Charity, it is unable to adopt the value in use assumption, hence the impairment.

The impairment recognised is based on the market value of the property.

The property was subsequently disposed of in August 2021.

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Achievement against 2020/21 Financial Key Performance Indicators

The key financial performance indicators for the year and targets for 2020/21 are set out below:

End of Year KPIs	Target - FY2020-21	Actual as at 31/3/20	Actual as at 31/3/21	Commentary
Debtor Days - Gross	< 30	49 days	28 days	Year on Year improvement, as a consequence of investment in Credit Control team, and working closely with Commissioners
Creditor Days	> 30	39 days	64 days	Extract from Payment Practices Report submitted to Companies House - 1/10/20 to 31/3/21. Covid-19 has resulted in some delays to supplier payments. Implementation of new Finance system will assist in resolving.
Investment Income - Return %	3% p.a.	3.8%	2.1%	Income relatively low due to falling bond yields as well as dividend cuts within equities and reduced income from property fund due to the pandemic.
Investment Funds - Growth %	3% p.a.	-4.59%	17.50%	Strong rally in corporate bond and equity markets from the lows seen in March 2020 following central bank intervention
Gearing %	< 35%	12.7%	0.0%	Barclays Bank Loan repaid in full during the year. AFG has no Debt at Balance Sheet date

Achievement against 2020/21 Non-Financial Key Performance Indicators

In April 2020 we agreed a new set of Key Performance Indicators that align to our five strategic objectives. The table below summarises performance against several of our key targets:

Key Performance indicator	Target	Actual
Number of Butterfly Moments	979	1,044
Employee Engagement Score	80%	81%
Average win rate for referrals	20%	52%
Number of digital pilot projects	10	10
CQC ratings > "Good"	12	9 (2 unrated / 1 requires improvement)

Assets held on behalf of People that we Support

At 31 March 2021, AFG held funds of £23,902 (2020: £14,610) in its HSBC Bank Account, on behalf of people that we support, which are included in the balance sheet as both an Asset and as a Liability, and in note 16. AFG has no title to this money.

Additionally, AFG has corporate appointeeship responsibility for administering the personal funds of a number of people that we support. The appointeeship enables AFG to assist the people that we support with their financial planning and budgeting, supporting them to plan their own spending and living expenses, and helping them to claim the state benefits to which they are entitled.

These funds are not reported within the Financial Statements of the Group.

Investments Policy and Performance

Under the Memorandum and Articles of Association, the Trustees are able to make any investments which they deem appropriate. Trustees appoint a qualified investment advisor to support their investment decisions, and the Performance Committee reviews the Group's Investment Policy annually. The Performance Committee have restricted investment into property and hedge funds each to 6% of the portfolio, and do not allow investment into private equities or commodities to minimise risk. The portfolio is split between cash (52%), equities (34%), Government and Corporate bonds (12%) Other including emerging markets and property (2%).

Investment performance is reviewed annually against a total return target of 3% per annum. The Trustees were satisfied with the total return of 2.1% (2020: 3.8%) Return and 17.5% growth achieved

for the financial year. All investments have been made within the agreed policy.

Reserves Policy and Performance

Total funds held amount to £24,804k (2020: £23,594k) of which £1,185k is restricted (2020: £1,542k), with the remaining £23,619k unrestricted (2020: £22,052k). To establish an appropriate level of working capital, and to protect the future operations of the organisation from the effects of any unforeseen variations, the Board holds free reserves in its unrestricted funds. The level of reserves is monitored by the Trustees throughout the year, and the Trustees review the Group's Reserves Policy annually.

The Reserves Policy sets a minimum target of free reserves of £5.5m (revised during the year, 2020: £4.3m), with the available level of reserves being £8.2m. The minimum target of free reserves is based on the Board's assessment of the level of reserves required to off-set significant payment delays from commissioners, and the potential loss of a significant contract. The level of reserve headroom was £2.6m (calculated as the difference between Unrestricted Funds adjusted for Fixed Assets (excluding Investments), budgeted capital expenditure and a self-insurance provision, compared to the minimum target) at the end of the year which the Trustees consider to be satisfactory.

Principal Risks and Uncertainties

The main factors and influences that will have an effect on the future performance of the Group are considered regularly by the Executive Team and the Board. Those events or risks that could prevent the strategic objectives from being achieved are recorded and monitored for each area of the business.

The key controls required to manage each risk, together with the person responsible for the control are also recorded. The risks are then assessed according to the probability of the risk occurring and the potential impact given the current control environment. The key risks monitored by the Board are shown below:

Strategic Risk	Mitigating Actions being taken
Government failure to address Social Care reform and sector funding. AFG Learning Disability contracts become financially unsustainable to provide quality care.	<ul style="list-style-type: none"> • Local authorities made aware of the requirement for additional funding to ensure viability of services. • The Chief Executive has engaged with Members of Parliament to warn of financial unsustainability of the sector in the areas in which we operate. • Our cost models have been shared with a number of commissioners to provide visibility re. rates required to achieve financial sustainability. • The organisation continues to identify areas for cost reduction, especially in areas where costs are not funded within commissioners' fees. • The organisation continues to closely monitor the financial viability of all commissioner contracts and will take appropriate actions as required.
UK political, economic, environmental and social factors (such as Brexit, economic performance, inflation, tax/NI increases, Covid-19 impact) significantly impact AFG's ability to attract and retain our Workforce on national minimum wage.	<ul style="list-style-type: none"> • Local authorities made aware of the requirement for additional funding to cover costs associated with workforce shortages (agency), increased recruitment activity and attraction / retention (improved pay). • Additional investments made from reserves to support recruitment initiatives of new staff and retention of current staff. • Increased use of casual staff and agency.

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Strategic Risk	Mitigating Actions being taken
A further Covid-19 outbreak causes reduced workforce capacity impacting our ability to deliver care and support.	<ul style="list-style-type: none"> • High percentage of AFG staff vaccinated. • Strong management oversight (Both Executive and Operational); • Adherence to UK government guidelines re. social distancing, use of personal protective equipment and track and trace; • Restricting work-force movement and use of agency as appropriate; • Home working of all corporate staff; • Building work-force resilience/contingency through the enabling of corporate staff to provide front line support if required
AFG's clinical and care governance arrangements are not sufficient to achieve a minimum 'Good' CQC rating across all of the services provided	<ul style="list-style-type: none"> • Quality & Compliance function providing oversight of the support services provided by the Charity • At 31 March 2021, 6 out of 7 of AFG services rated Good or Better. 3 additional services rated Good since 31 March 2021 and 2 services remain unrated.

Fraud

The Group has a clear anti-fraud policy that has been approved by the Board. The policy requires a register to be maintained of all actual and attempted fraud. All such cases are reported to the Board through the Audit and Risk Committee. There were no reported instances of fraud during the year.

Directors' and Officers' Liability Insurance

The Group has insurance policies in place which indemnify its Board members and Executive Officers against liability when acting on behalf of the Group.

Section 172 Statement

Section 172 of the Companies Act 2006 outlines how the Trustees have a duty to promote the success of the Charity to achieve its Charitable purpose. The Trustees of the Charity should perform this duty having regard to:

- The likely consequence of any decision in the long term;
- The interests of the Charity's employees;
- The need to foster the Charity's relationships with suppliers, customers and others;
- The impact of the Charity's operations on the community and the environment;
- The desirability of the Charity maintaining a reputation for high standards of business conduct;
- The need to act fairly between beneficiaries of the Charity.

In discharging our Section 172 duties we have given due regard to the matters set out above. In addition, we also give regard to other factors which we consider relevant to the decisions being made. Those factors for example include our relationships with our regulators and government agencies.

In discharging our duties, the following should be noted:

The likely consequence of any decision in the long term

Social Care continues to be underfunded year on year by the UK Government which puts significant strain on the provider sector. The much anticipated Social Care green paper has yet to materialise and now appears to be a fading ambition. To maintain a level of control against these significant market challenges and the subsequent impact of this with year-on-year erosion of the Charity's reserves, the Charity has been operating against an initial three-year plan. This plan has formed the basis of a new five-year strategy which was launched by the organisation in April 2020. During the

year the decision making of the Trustees has been made against the back-drop of this plan and the forthcoming future strategy. The Charity must seek to maintain control of its own survival and future despite the uncertainties and difficulties the market presents us. Our new strategy outlines the plan for this and informs the Trustees future decision making framework.

The interests of the Charity's employees

The ability of the organisation to deliver against its overall Strategy, Annual Business Plan and Budget, as well as our commitments to our customers and the people we support lies in the quality, commitment, and contribution of our employees. We continue to actively encourage the involvement of employees in our decision-making process, and in this regard, we have an Employee Partnership Forum (EPF), which is jointly chaired by the Chief Executive Officer and a staff representative. The EPF is the formal staff negotiating and consultative body for all employee-related matters. We undertake an annual Employee Engagement Survey and use the feedback received to influence decision-making and shape future workforce priorities. We communicate regularly with our employees through team meetings, service visits, Executive briefings, and our internal social network platform.

AFG's Vision and Values were developed by our employees and our employees are intrinsic to generating the positive and capable culture we have at AFG. AFG has a specific People & Organisational Development Strategy that aims to attract, develop, and engage our workforce. We hold an annual staff awards event called "Celebrate Success" in which we recognise and reward employees that have gone above and beyond in their duties. We have a "Credit Where Credit is Due" employee recognition scheme, and we provide an employee discount platform amongst other employee benefits.

The need to foster the Charity's relationships with suppliers, customers, service users and others

During the period both the Trustees and Executive engaged in virtual service "Walkabouts" to meet service users and staff, thus fostering a good understanding of what is working well and where there are opportunities for improvement.

The Executive and Senior Leadership team have strong relationships with all those who commission our services (whether that be local authorities, clinical commissioning groups or private individuals). AFG's work is all about working with people collaboratively so building strong relationships with our commissioners, partners and suppliers is seen as vitally important to the long-term success and sustainability of the Charity. Where issues are raised by our commissioners or partners, the organisation looks to resolve these issues promptly. The Executive continue to work closely with our regulators, The Charity Commission, and the Care Quality Commission. AFG are part of the CQC Market Oversight scheme in which we have developed excellent relationships and understanding (see also the "Engaging with the People we Support" section of the Strategic Report).

The impact of the Charity's operations on the community and the environment

Alternative Futures Group is a community-based charity providing care and supported living services for adults with learning disabilities, autism and acquired brain injury, as well as adults with mental health and rehabilitation need. By definition of our service activity we encourage the people we support to actively participate in community activities and promote the benefits of the community to support their independent living. Our community services hold regular community events that invite the community to get involved with supporting and promoting our services within the community. This helps encourage the people we support to access their community more, forge new relationships and build their confidence and independence. Equally it helps promote a greater awareness to the community of our services and the positive impact of the people we support, our staff and the Charities purpose.

AFG are committed to being a socially responsible organisation and delivering significant social value to communities and society in all our activity, with the organisation looking to achieve Level 1 Commit status by the end of March 2022.

AFG are also an environmentally focused organisation fully aware of our responsibilities and carbon footprint. We are moving towards being a fully digital and paperless organisation in the future. We

have home-working policies that reduce travel requirements and have sold the corporate headquarters post year-end. We re-cycle most of our office waste and we re-cycle and donate IT equipment, furniture and other goods to other charities and the local community. The Charity acknowledges its reporting requirements under Companies Act 2006 regarding energy use and carbon emissions and is looking at measures to further reduce its carbon footprint (see Section 172 Statement page 19).

The desirability of the Charity maintaining a reputation for high standards of business conduct

The Charity operates under the strict regulation of both the Charity Commission and the Care Quality Commission.

The Charity engages the services of an internal audit provider to ensure the control environment within which the organisation operates is robust. Additionally, the Audit & Risk Committee of the Charity works closely with the Executive to ensure strategic risks are identified, the potential impact of these risks is understood with appropriate action taken to mitigate. The Charity also operates a Finance Committee and Quality & Compliance Committee, providing the Executive with a more detailed level of oversight in these areas.

The Charity operates a “whistle-blower” hotline (the service being provided by our internal auditors) which provides an appropriate and independent channel for concerns to be reported.

The Trustees are custodians of the Charity and the above enables the Charity to be operated within a strong governance framework, thus ensuring that risk is identified and mitigated and that the decision making process is robust and subject to appropriate oversight and scrutiny.

The need to act fairly between beneficiaries of the Charity

The engagement of the people we support is critical to the successful operation of the Charity. Service User engagement is led by our local managers, who seek advice from local groups on how to increase their involvement and as well as exploring new methods of seeking feedback.

The Service User Representative Forum (SURF) was established a number of years ago to ensure the views and opinions of the people we support are taken into account in the way our services are delivered.

Future Plans - Our 2021/22 Objectives

At the end of 2019/20, the Board signed off a new 5-year Strategic Plan 2020-25 which was launched to the organisation in April 2020. The plan aims to return AFG to being a market-leading pioneer within our sectors by developing contemporary, innovative and digitally-connected support services for our beneficiaries. AFG’s vision of a “world where people control their own lives” means we will support and equip our beneficiaries to thrive and prosper in an ever-changing digital world with a “people plus technology” approach to support provision. AFG’s digitally connected support offer will enable, encourage and support our beneficiaries to achieve their maximum potential for independence, choice and control over their lives.

In 2019/20, we delivered a business plan that built the foundations of our 5-year strategic plan. We standardised, optimised and streamlined our operations and corporate services as we responded to the critical financial challenges within our marketplace. In 2020/21, we delivered a business plan that would protect our current business, build new partnerships to help us develop and grow, and we pioneered new ways of working, new digital technologies and new service models. Throughout this time, the organisation continues to challenge and change the cultural foundations of the organisation to create a new mindset, philosophy and leadership style that has set a new tone for the organisation. Greater openness, transparency and engagement with our staff and the people we support is key to ensure everyone is enthusiastic and involved in creating the organisations new future and long-term legacy.

For 2021/22, we continue with the great progress we made in 2019/20 and 2020/21 as we commence the second year of our 5-year strategic plan. For the forthcoming year 2021/22, we aim to “aspire, accelerate and achieve”. Aspire – we will emerge from the Covid pandemic stronger and more

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together, with a single-minded ambition to grow our reach and our positive impact on lives. Accelerate – we will build on the foundations we've laid in year one continuing to develop our service offer, our digital work, and our quality agenda. Achieve – we will complete our cost reduction programme that we started in 2019 to enable the charity to be financially sustainable.

Auditors

A resolution to re-appoint RSM UK Audit LLP as the Group's external auditors for 2021/22 was proposed and agreed at the Board Meeting 10 November 2021.

Going Concern

Accounting standards require the Board of Trustees to consider the appropriateness of the going concern assumption in the preparation of the Charity's financial statements.

In early 2020, the Charity along with much of the UK and global economy started to be impacted by the Covid-19 pandemic, with the challenge for the Charity being the on-going delivery of support and the sourcing of required levels of personal protective equipment to help ensure the safety of both our staff and the people we support. As reported in the prior year financial statements, it is pleasing to report that the Charity has been able to navigate through this extremely challenging period well.

Whilst the Charity has navigated its way through the pandemic extremely well, statutory measures are now in place requiring visitors to a registered care home to be fully vaccinated, with a consultation period also being launched on 9 September seeking to extend the requirement to other health and social care settings. This coupled with ongoing under funding of the social care sector means that the Charity is likely to experience ongoing recruitment challenges in the future.

In considering the appropriateness of the going concern assumption, Income & Expenditure and Cash-flow projections have been prepared for a period of 12 months from the date of signing of the financial statements. As part of this exercise, consideration is given to the reasonableness of the key assumptions underpinning the financial statements. As at 31 March 2021 the Charity reported a cash balance of £4.909m and liquid investments of £9.844m. Since the 31 March 2021 trading performance continues to remain stable and the liquidity of the Charity has further benefitted, by £2.0m sale proceeds from the disposal of its corporate headquarters, to help improve its cash position.

The Trustees are confident the Charity has sufficient cash and liquid investments to continue its operational activities for the foreseeable future. Therefore, the Trustees continue to adopt the Going Concern basis of accounting in preparing the financial statements.

Statement of Trustees' Responsibilities

The Trustees, as the Directors of AFG, are responsible for preparing the Trustees' Annual Report (incorporating the Strategic Report) and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the Trustees to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the group and charitable company and of the incoming resources and application of resources, including the income and expenditure of the group for that period.

In preparing these financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements: and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Charity and Group will continue in operation.

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The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the Trustees are aware:

- there is no relevant audit information of which the charitable company's auditor is unaware; and
- the Trustees have taken all 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 Trustees are responsible for the maintenance and integrity of the corporate and financial information included on the charitable Group and company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Report of the Trustees which also contains a directors' report as required by company law and the incorporated Strategic Report was approved on 20 December 2021 and signed on its behalf by:



Brian Walsh

Chair – Alternative Futures Group
20 December 2021

Opinion

We have audited the financial statements of Alternative Futures Group Limited (the 'parent charitable company') and its subsidiaries (the 'group') for the year ended 31 March 2021 which comprise the Consolidated Statement of Financial Activities (including the Consolidated Income and Expenditure Account, the Consolidated and Company Balance Sheets, the Consolidated Statement of Cash Flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 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 the parent charitable company's affairs as at 31 March 2021 and of the group'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 prepared in accordance with the requirements of the Companies Act 2006.

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 parent charitable 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

In auditing the financial statements, we have concluded that the trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

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

Other information

The other information comprises the information included in the Annual Report other than the financial statements and our auditor's report thereon. The trustees are responsible for the other information contained within the Annual Report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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 Report of the Trustees, which includes the Directors' Report and the Strategic Report prepared for the purposes of company law, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report and the Strategic Report included within the Trustees' Report 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 charitable company and their environment obtained in the course of the audit, we have not identified material misstatements in the Directors' Report or the Strategic Report included within the Report of the Trustees.

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

- adequate accounting records have not been kept by the parent charitable company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent charitable company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of 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 trustees

As explained more fully in the Statement of Trustees' responsibilities set out on page 22, the trustees (who are also the directors of the charitable company for the purposes of company law) 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 trustees 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 trustees are responsible for assessing the group's and parent charitable 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 trustees either intend to liquidate the group or parent charitable 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.

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

Alternative Futures Group Limited

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

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the group audit engagement team:

- obtained an understanding of the nature of the sector, including the legal and regulatory framework that the group and parent charitable company operate in and how the group and parent charitable company are complying with the legal and regulatory framework;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 102, Charities SORP (FRS 102), Companies Act 2006 and Charities Act 2011. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included:

- reviewing the financial statements including the Trustees' Report,
- remaining alert to new or unusual transactions which may not be in accordance with the governing documents.

The most significant laws and regulations that have an indirect impact on the financial statements are those in relation to Care Quality Commission (CQC) regulation. Audit procedures performed included but were not limited to;

- inquiry of management directly involved with monitoring whether the group is in compliance with these law and regulations,
- reviewing board minutes to review for any regulatory discussions; and
- reviewing CQC inspection reports where they have occurred during the financial period.

The group audit engagement team identified the risk of management override of controls as the area where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to;

- testing manual journal entries and other adjustments
- evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business; and
- challenging judgements and estimates.

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

Use of our report

This report is made solely to the charitable 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 charitable 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 charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Anna Spencer-Gray

ANNA SPENCER-GRAY (Senior Statutory Auditor)
For and on behalf of RSM UK AUDIT LLP, Statutory Auditor
Chartered Accountants
14th Floor
20 Chapel Street
Liverpool
L3 9AG

Date: 20 December 2021

Alternative Futures Group Limited
Consolidated Statement of Financial Activities (including Consolidated Income & Expenditure Account)
For the year ended 31 March 2021

	Note	Unrestricted funds £000	Restricted funds £000	Total 2021 £000	Unrestricted funds £000	Restricted funds £000	Total 2020 £000
Income							
Charitable activities	1	59,157	0	59,157	60,653	0	60,653
Investments	2	91	0	91	155	0	155
Government Grants	3	704	0	704	0	0	0
Total income		59,952	0	59,952	60,808	0	60,808
Expenditure on:							
Charitable activities (including exceptional cost amounting to £447,000 (2020 £28,320))	4 & 5	59,435	23	59,458	62,482	35	62,517
Raising funds		40	-	40	50	0	50
Total expenditure		59,475	23	59,498	62,532	35	62,567
Net Gain/ (Loss) on investments	13	741	0	741	(338)	0	(338)
Net Income/ (expense)		1,218	(23)	1,195	(2,062)	(35)	(2,097)
Gross Transfers between Funds		334	(334)	0	0	0	0
Net (expenses)/ income before other recognised gains and losses		1,552	(357)	1,195	(2,062)	(35)	(2,097)
Other recognised gains/(losses)							
Actuarial gain/(loss) on defined benefit pension scheme	22	(298)	-	(298)	159	0	159
Movement in pension scheme asset derecognised	22	313	-	313	(114)	0	(114)
Total other recognised gains and (losses)		15	-	15	45	0	45
Net movement in funds		1,567	(357)	1,210	(2,017)	(35)	(2,052)
Reconciliation of funds							
Total funds brought forward		22,052	1,542	23,594	24,069	1,577	25,646
Total funds carried forward	18	23,619	1,185	24,804	22,052	1,542	23,594

There were no new or discontinued operations undertaken during the year.

There are no recognised gains or losses, other than those included in the Statement of Financial Activities.

Alternative Futures Group Limited
Consolidated Balance Sheet
As at 31 March 2021

Company No: 02679915
Charity No: 1008587

	Note	2021 £000	£000	2020 £000	£000
Fixed assets					
Intangible assets	10		1,326		1,277
Tangible assets	11		11,174		17,306
Investments	13		9,844		4,010
			<u>22,344</u>		<u>22,593</u>
Current assets					
Stocks	14	-		8	
Debtors	15	4,482		5,463	
Cash in hand and at bank		4,909		3,556	
		<u>9,391</u>		<u>9,027</u>	
Current liabilities					
Creditors: amounts falling due within one year	16	(6,931)		(8,026)	
Net current assets			<u>2,460</u>		<u>1,001</u>
Total assets less current liabilities			<u>24,804</u>		<u>23,594</u>
Total net assets			<u>24,804</u>		<u>23,594</u>
Funds:					
Unrestricted funds	18		23,619		22,052
Restricted funds			1,185		1,542
			<u>24,804</u>		<u>23,594</u>

The financial statements were approved and authorised for issue by the Board of Trustees on 20 December 2021, and signed on their behalf by:



Brian Walsh – Chair

Alternative Futures Group Limited
Company Balance Sheet
As at 31 March 2021

Company No: 02679915
Charity No: 1008587

	Note	2021		2020	
		£000	£000	£000	£000
Fixed assets					
Intangible assets	10		1,326		1,276
Tangible assets	11		11,174		17,407
Investments in subsidiary	12		0		0
Investments	13		9,844		4,010
			<u>22,344</u>		<u>22,693</u>
Current assets					
Stocks	14	-		8	
Debtors	15	4,557		5,463	
Cash in hand		4,898		3,556	
		<u>9,455</u>		<u>9,027</u>	
Creditors: amounts falling due within one year	16	<u>(6,887)</u>		<u>(7,917)</u>	
Net current assets			<u>2,568</u>		<u>1,110</u>
Total assets less current liabilities			<u>24,912</u>		<u>23,803</u>
Total net assets			<u>24,912</u>		<u>23,803</u>
Funds:					
Unrestricted funds	18		23,727		22,261
Restricted funds			1,185		1,542
			<u>24,912</u>		<u>23,803</u>

The entity has taken the exemption from presenting its unconsolidated income and expenditure account under section 408 of the Companies Act 2006. The unconsolidated gain in relation to the company for the year was £1,458,559 (2020: loss £2,049,000).

The financial statements were approved and authorised for issue by the Board of Trustees on 20 December 2021, and signed on their behalf by:



Brian Walsh – Chair

Alternative Futures Group Limited
Consolidated Statement of Cash Flows
For the year ended 31 March 2021

	Notes	2021 £000	2020 £000
Cash flows used in operating activities	20	4,868	15
Net cash used in operating activities		4,868	15
Investing activities			
Purchase of fixed assets		(479)	(481)
Proceeds from sale of fixed assets		5,258	0
Purchase of investments		(5,550)	(1,439)
Proceeds from sale of investments		257	4,242
Net cash generated from investing activities		<u>(514)</u>	<u>2,322</u>
Financing activities			
Repayments of bank loans		<u>(3,001)</u>	<u>(343)</u>
Net cash (used in) financing activities		<u>(3,001)</u>	<u>(343)</u>
Net (increase) in cash and cash equivalents		1,353	1,994
Cash and cash equivalents at beginning of year		<u>3,556</u>	<u>1,562</u>
Cash and cash equivalents at end of year		<u><u>4,909</u></u>	<u><u>3,556</u></u>
Relating to			
Cash at bank and in hand		<u><u>4,909</u></u>	<u><u>3,556</u></u>

Analysis of changes in net debt

	At 1 April 2020 £000	Cashflows £000	At 31 March 2021 £000
Cash and cash equivalents			
Cash	3,556	1,353	4,909
Overdrafts	-	-	-
Total	3,556	1,353	4,909
Borrowings			
Debt due within one year	(3,001)	3,001	-
Debt due after one year	-	-	-
Total	(3,001)	3,001	-

ACCOUNTING POLICIES

General Information

Alternative Futures Group Limited is a private company, limited by guarantee, incorporated and registered in England, and a registered charity.

The address of the registered office and principal place of business is: Lion Court, Kings Drive, Kings Business Park, Prescot, Merseyside, L34 1BN.

The company and the group's principal activities are stated in The Report of the Trustees on page 6.

Basis of Preparation

These financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2019) – (Charities SORP (FRS 102)), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006.

The charity constitutes a public benefit entity as defined by FRS 102.

Monetary amounts in the financial statements are rounded to the nearest whole £1,000, except where otherwise indicated.

Reduced Disclosure Exemption

In accordance with FRS 102, the Company has taken advantage of the exemptions from the following disclosure requirements in respect of its individual financial statements. These disclosures are provided on a consolidated basis:

- Section 7 Statement of Cash Flows – presentation of a statement of cashflow and related notes and disclosures.
- Section 11 'Basic Financial Instruments' & Section 12 'Other Financial Instrument Issues' – Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income.

Going Concern

Accounting Standards require the Board of Trustees to consider the appropriateness of the going concern assumption in the preparation of the Charity's financial statements. This assessment is included within the Strategic Report.

As part of this review the Group has prepared detailed financial forecasts looking forward 12 months from the date of signature of the financial statements. As part of this exercise consideration is given to the reasonableness of the key assumptions underpinning the financial forecasts. As at 31 March 2021 the Charity reported a cash balance of £4.909m and liquid investments of £9.844m. During the year the liquidity of the Charity has benefitted from the disposal of three of its properties. Since 31 March 2021, the trading performance continues to remain stable.

The Charity continues to have in place contracts with a number of commissioners which form the basis of its operating model and provide it with income and cash-flow to sustain its operations.

The continued and detailed focus on Operating performance, strengthening of the liquidity position and continuous forward planning to mitigate changes in market conditions and risk exposure all mean that the going concern basis of accounting has been adopted.

ACCOUNTING POLICIES (CONTINUED)

Basis of Consolidation

The consolidated financial statements incorporate those of Alternative Futures Group Limited and of its subsidiary, Red Hazels Developments Limited (ie entity that the Group controls through its power to govern the financial and operating policies, so as to obtain economic benefits). All financial statements are made up to 31 March 2021.

All intra-group transactions, balances and unrealised gains or losses are eliminated on consolidation. Where necessary, adjustments are made to the financial statements of the subsidiary to bring the accounting policies used into line with those used by other members of the Group. The investment in the subsidiary undertaking is stated at cost.

Income

All income is recognised once the Group has entitlement to the income, it is probable that the income will be received, and the amount of income receivable can be measured reliably. Income is recognised in the period in which the service is provided.

Where there is doubt regarding the accuracy of the invoicing / recoverability of the debt, the organisation has in place a Credit Note provisioning policy.

Income from Charitable activities

Income from charitable activities represents the total amount receivable by the Charity, after determination by outside agencies and consideration of an individual's entitlement.

Government Grants

Government grants received are recognised in the Statement of Financial Activities (SOFA) when the Charity is legally entitled to the income, when the amount can be quantified with reasonable accuracy and when the amount is likely to be received. During the period the Charity has recognised monies in the SOFA primarily relating to the Coronavirus Job Retention Scheme (Note 3).

Additionally, the Charity received personal protective equipment from the Government at nil cost to help ensure the safety of staff and service users during the Covid-19 pandemic. No amounts have been included in the financial statements relating to these items due to difficulties re. measurement.

Investment income

Investment income is recognised on a receivable basis.

Expenditure

Liabilities are recognised as resources expended as soon as there is a legal or constructive obligation committing the charity to that expenditure. Expenditure is recognised when, and to the extent that, a liability is incurred or increases without a commensurate increase in recognised assets or decrease in liabilities. All expenditure is accounted for on an accruals basis and is classified under appropriate headings that aggregate all costs relating to the category. Irrecoverable VAT is charged against the category of resources expended for which it was incurred.

Charitable expenditure

Charitable expenditure comprises those costs incurred by the charity in the delivery of its activities and services for its beneficiaries. It includes both costs that can be allocated to such activities and those costs of an indirect nature necessary to support them.

Support costs

Support costs include central functions and have been allocated to activity cost categories in proportion to the income of each category.

Other expenditure

Other expenditure represents those items not falling into any other heading.

ACCOUNTING POLICIES (CONTINUED)

Intangible Fixed Assets Including Goodwill and Software

Intangible fixed assets include goodwill and software. Goodwill relates to contracts acquired in 2013 and is stated at cost, net of amortisation and impairment. Goodwill has been amortised over 3 years, representing the life of the contract, and has been fully amortised in previous years.

Intangible assets also include acquired software costs together with capitalised development expenditure in relation to time costs of individuals working on the design configuration and testing of new software systems. They are amortised over 5 years once the software is available for its intended use, which is the intended useful life of the software. AFG capitalises development expenditure as an intangible asset when it can demonstrate the following:

- the technical feasibility of completing the development, so the intangible asset will be available for use;
- the intention to complete the development and use the intangible asset;
- the ability to use the intangible asset;
- how the intangible asset will generate future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development; and
- its ability to measure reliably the expenditure attributable to the intangible asset during development.

Where these criteria are not met, expenditure is charged to the Statement of Financial Activities as research costs.

Tangible Fixed Assets and Depreciation

Tangible fixed assets are stated at historical cost, net of depreciation and any provision for impairment.

Tangible fixed assets comprise freehold land and buildings, office furniture and equipment, vehicles, and property furniture and furnishings. Property furniture and fittings for new schemes are capitalised as tangible fixed assets for AFG's own use, whilst replacement items are capitalised if their value as a single item or as a group of items purchased together, is £300 or more.

Depreciation is provided so as to write off the cost of the assets, other than freehold land, on a straight-line basis over their estimated useful lives. Freehold land is not depreciated. The estimated useful lives are:

Freehold properties	2-10% on cost
Furniture & Equipment	5-33% on cost

Impairment of Fixed Assets

An assessment is made at each reporting date of whether there are any indications that a fixed asset may be impaired or that an impairment loss previously recognised has fully or partially reversed. If such indications exist, the Group estimates the recoverable amount of the asset. Shortfalls between the carrying value of the fixed assets and their recoverable amounts, being the higher of the fair value less costs to sell and value in use are recognised as impairment losses and recognised as an expense within the Statement of Financial Activities.

ACCOUNTING POLICIES (CONTINUED)

Investments

Investments including investment property, but excluding the investment in the subsidiary, are stated at fair value at the balance sheet date. The Statement of Financial Activities includes the net gains and losses arising on revaluation and disposals throughout the year. Listed investments held are stated at the quoted market price. In the separate accounts of the charity, the investment in the subsidiary is initially measured at cost, and subsequently measured at cost less any accumulated impairment losses.

Where cash is held within the Investment Portfolio, this is invested when the advisors consider market conditions to be suitable.

Stock

Stock relates to catering supplies held within the Treatment and Recovery centres.

During the pandemic the organisation has accumulated a stock of personal protective equipment, however, given this was obtained at nil cost through the Government PPE portal, this is shown at zero value in the financial statements.

Financial Instruments

AFG's Financial Instruments are considered as Basic Financial Instruments in accordance with Section 11 of FRS102. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value except for bank loans, which are subsequently measured at amortised cost using the effective interest method, and listed investments which are valued at fair value through profit or loss.

Debtors

Trade and other debtors are recognised at the amount invoiced, with the Charity carrying a credit note provision, the provision being based on the age of the debt. The value of the credit note provision is formally reviewed annually as part of the Statutory Accounts process, with an ongoing monthly review of the overall Trade Debtors position. Prepayments are valued at the amount prepaid net of any trade discounts due.

Cash at Bank and In Hand

Cash at bank and cash in hand includes cash and short term highly liquid investments with a maturity of three months or less from the date of acquisition or opening of the deposit or similar account.

Creditors

Creditors are recognised where AFG has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party, and the amount due to settle the obligation can be measured or estimated reliably. Creditors and provisions are normally recognised at their settlement amount after allowing for any trade discounts due.

Retirement Benefits - Pension Schemes

Contributions are made by AFG to the four pension schemes that are in operation, as follows:

- The National Health Service (NHS) Superannuation Scheme in respect of certain employees who have the benefit of existing membership of the scheme by virtue of their NHS employment. The NHS Scheme is an unfunded final salary scheme operated by the National Health Service. The contributions are calculated so as to spread the cost of pensions over employees' working lives, whilst they remain in qualifying employment, in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of periodic valuations, and any deficit is underwritten by the Treasury. The scheme is not designed to be run in a way that would enable employers of eligible employees to identify their share of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as if it were a defined

Retirement Benefits - Pension Schemes cont

contribution scheme; the amount charged against profits represents the contributions to the scheme.

- A stakeholder pension scheme, for certain senior members of staff, at a contribution rate of up to 14% of annual basic pay. The amount charged to the Statement of Financial Activities in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.
- Two defined benefit pension schemes in respect of admissions of staff as a result of TUPE transfers are funded by the participating employees and employers in the scheme. Current service costs, past service costs and gains and losses on settlements and curtailments are charged to the income and expenditure account. When a settlement (eliminating all obligations for benefits already accrued) or a curtailment (reducing future obligations as a result of a material reduction in the scheme membership or a reduction in future entitlement) occurs, the obligation and related plan assets are re-measured using current actuarial assumptions and the resultant gain or loss is recognised in the income and expenditure account during the period in which the settlement or curtailment occurs.

The interest cost and the expected return on assets are shown as a net amount in the income and expenditure account as other finance costs or income. Actuarial gains and losses are recognised immediately as other recognised gains and losses in the statement of financial activities.

Pension scheme assets are valued at fair value at the balance sheet date. Fair value is based on market price information and in the case of quoted securities is the published bid price. Pension scheme liabilities are measured on an actuarial basis using the projected unit credit method and are discounted to their present value using a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. Pension scheme surpluses (to the extent that they can be recovered) or deficits are recognised in full on the balance sheet.

The assets of these schemes are administered, by Trustees, in funds independent from those of the Charity.

Leasing Commitments

Rentals paid under operating leases are charged to the statement of financial activities over the life of the lease on a straight-line basis.

Realised Gains & Losses

All gains and losses are taken to the Statement of Financial Activities as they arise. Realised gains and losses on investments are calculated as the difference between sales proceeds and their opening carrying value or their purchase value if acquired subsequent to the first day of the financial year. Unrealised gains and losses are calculated as the difference between the fair value at the year end and their carrying value. Realised and unrealised investment gains and losses are combined in the Statement of Financial Activities.

Fund Accounting

Unrestricted funds

These are funds which can be used in accordance with the charitable objects at the discretion of the Trustees.

ACCOUNTING POLICIES (CONTINUED)

Restricted funds

Restricted funds are subject to specific restrictive conditions imposed by the donor or grant making body. All restricted funds are accounted for as restricted income and expenditure for the purposes charged to the fund, together with a fair allocation of overheads and support costs.

Critical Accounting Estimates and Areas of Judgement

In the application of the Group's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

The Trustees do not consider any accounting estimates to be critical.

The key assumptions and area of judgement applied by Alternative Futures Group Limited are as follows:

- Management make judgements on an annual basis as to whether the value of any of the properties of the organisation have suffered an impairment in value. During the year a decision was made to dispose of the head office property (Lion Court) and as a consequence the organisation was no longer able to take advantage of the "value in use" principle, with an impairment being recognised in the financial statements. The impairment recognised reflects the market value of the property. The property was sold in August 2021.

During the year management have not obtained valuations on the other properties of the organisation, with the view being there has been no material change in the carrying value of these properties. All properties continue to generate a positive contribution to the overall performance of the Charity.

- Given the ageing of the debt of the Charity, management continue to carry a credit note provision. The provision in place arises as a consequence of invoicing errors, such errors dating back a number of years. Management continue to review the appropriateness of the provision, with the provision made being estimated based on the aging of the balance. The Charity will continue to work closely with its commissioners to ensure the resolution of issues and the optimisation of recovery.

Alternative Futures Group Limited
Notes to the Financial Statements
For the year ended 31 March 2021

1 CHARITABLE ACTIVITIES INCOME

	2021 £000	2020 £000
Supported living services	48,135	50,450
Independent Hospitals	<u>11,022</u>	<u>10,203</u>
	<u>59,157</u>	<u>60,653</u>

All income in the current and prior year was unrestricted

2 INVESTMENT INCOME

	2021 £000	2020 £000
Dividends – UK equity	38	74
Dividends – Overseas equities	15	24
Dividends – other	14	21
Interest – UK fixed interest securities	24	25
Interest on cash deposits	<u>-</u>	<u>11</u>
	<u>91</u>	<u>155</u>

All current and prior year income was unrestricted.

3 GOVERNMENT AND LOCAL AUTHORITY GRANTS

	2021 £000	2020 £000
Coronavirus Job Retention Scheme	635	-
Infection Control income from Local Authorities	<u>69</u>	<u>-</u>
	<u>704</u>	<u>-</u>

All current year income was unrestricted.

4 ANALYSIS OF EXPENDITURE ON CHARITABLE ACTIVITIES

	Direct staff costs £000	Direct non-staff costs £000	Operational Management Support costs £000	Corporate Support costs £000	2021 £000	2020 £000
Provision of support and care						
Supported living	42,285	407	1,847	5,006	49,545	53,179
Independent Hospitals	4,930	3,052	422	1,054	9,458	9,220
Adult Care Homes	-	-	-	-	-	-
Adult Care Homes with Nursing	<u>-</u>	<u>8</u>	<u>-</u>	<u>-</u>	<u>8</u>	<u>118</u>
Total charitable activities	<u>47,215</u>	<u>3,467</u>	<u>2,269</u>	<u>6,060</u>	<u>59,011</u>	<u>62,517</u>

4 ANALYSIS OF EXPENDITURE ON CHARITABLE ACTIVITIES (CONTINUED)

	Unrestricted	Restricted	2021	Unrestricted	Restricted	2020
	£000	£000	£000	£000	£000	£000
Provision of support and care						
Supported living	49,545	-	49,545	53,179	-	53,179
Independent Hospitals	9,435	23	9,458	9,185	35	9,220
Adult Care Homes	-	-	-	-	-	-
Adult Care Homes with Nursing	8	-	8	118	-	118
Total charitable activities	58,988	23	59,011	62,482	35	62,517

5 EXCEPTIONAL ITEMS

	2021	2020
	£000	£000
(Profit)/Loss on the Sale of Assets	(1,088)	-
Impairment of properties within Tangible Assets	1,532	-
Staff Costs, including redundancy, taxes and pensions	3	28
	<u>447</u>	<u>28</u>

In 2020 exceptional items related to redundancy costs following completion of an organisational restructure. All exceptional income/expenditure in the current and prior years was unrestricted.

6 ANALYSIS OF GOVERNANCE AND SUPPORT COSTS

	2021	2020
	£000	£000
OPERATIONAL SERVICE SUPPORT COSTS		
Operational Support / CQC Registered Addresses / Regional Offices	80	334
Operational Management / Workforce Planning / Rostering	703	835
Operational Services ICT Infrastructure	619	890
Operational Services Learning & Development Costs	595	928
Operational Services Quality Support Costs	272	298
	<u>2,269</u>	<u>3,285</u>

Alternative Futures Group Limited
Notes to the Financial Statements
For the year ended 31 March 2021

	2021 £000	2020 £000
CORPORATE SUPPORT COSTS		
Financial, Transaction & Reporting, Banking & Audit Costs	829	532
HR & Recruitment Costs	1,216	1,208
ICT, Software Licencing, Depreciation and Support Desk	1,624	1,452
Insurance Costs	642	504
Governance & Administration	665	915
Risk & Assurance	56	160
Premises Running Costs	636	422
Legal Fees	111	110
Chief Executive Department	281	220
	<u>6,060</u>	<u>5,523</u>

During the year the organisation has continued to review its cost base to ensure costs are appropriately reported as either Operational or Corporate costs.

Governance costs include internal audit fees of £ 55,836 (2020: £54,479) and external audit fees of £77,850 (2020: £60,503), Trustee development £ NIL (2020: £1,405). Trustee indemnity insurance (2020: £8,452) is not individually identified, but contained within the overall Social Care Insurance Premium.

Staff costs included within support costs amount to £4,743,284 (2020: £5,269,144).

7 NET EXPENDITURE FOR THE YEAR

This is stated after charging:

	2021 £000	2020 £000
Operating lease rentals	200	183
Depreciation and amortisation:		
Intangible fixed assets, owned	123	206
Tangible fixed assets, owned	737	948
Bank interest payable on bank loan	35	75
Auditor's remuneration:		
- audit fees	78	60
- consultancy fees	0	8
- internal audit fees	56	54
	<u>56</u>	<u>54</u>

8 ANALYSIS OF STAFF COSTS, TRUSTEE REMUNERATION AND EXPENSES, AND THE KEY MANAGEMENT PERSONNEL

Staff costs during the year were as follows:

	2021	2020
Group	£000	£000
Wages and salaries	47,280	50,649
Social security costs	3,374	3,423
Employer pension costs – operating cost in respect of DB Schemes	31	64
Employer pension costs – costs of contributions paid to DC schemes	1,273	1,200
Redundancy payments	<u>3</u>	<u>28</u>
	<u>51,961</u>	<u>55,364</u>

	2021	2020
Company	£000	£000
Wages and salaries	47,280	50,649
Social security costs	3,374	3,423
Employer pension costs – operating cost in respect of DB Schemes	31	64
Employer pension costs – costs of contributions paid to DC schemes	1,273	1,200
Redundancy payments	<u>3</u>	<u>28</u>
	<u>51,961</u>	<u>55,364</u>

In concluding the previous year's restructuring plan and move to a divisional model, a small number of redundant roles were carried over into 2020-21, giving rise to a £2,690 (2020 £28,320) cost in the year.

Employees' emoluments for the staff earning more than £60,000 for the year fell into the following bands:

	Number of employees	
	2021	2020
£60,001 to £70,000	1	2
£70,001 to £80,000	-	-
£80,001 to £90,000	-	-
£90,001 to £100,000	-	-
£100,001 to £110,000	2	2
£110,001 to £120,000	2	1
£130,001 to £140,000	-	-
£150,001 to £160,000	<u>1</u>	<u>1</u>
	<u>6</u>	<u>6</u>

8 ANALYSIS OF STAFF COSTS, TRUSTEE REMUNERATION AND EXPENSES, AND THE KEY MANAGEMENT PERSONNEL (CONTINUED)

The key management personnel of the charity comprise the executive team and Head of Corporate Services, but does not include the Chair. Total cost to the charity for employee benefits of the key management personnel of the Group was £820,038 (2020 £831,426).

During the year the following amounts were paid to pension schemes:

	2021 £000	2020 £000
Pension contributions to money purchase schemes	971	977
Pension contributions to defined benefit schemes	302	223
	<u>1,273</u>	<u>1,200</u>

Pension contributions are allocated to unrestricted funds. Costs are allocated to activity cost categories in proportion to the income generated by each activity.

The numbers of staff to whom retirement benefits are accruing are as follows:

	Number of employees	
	2021	2020
Money Purchase Schemes	1,595	1,612
Defined Benefit Schemes	<u>77</u>	<u>98</u>
	<u>1,672</u>	<u>1,710</u>

During the year five higher paid employees (2020: four) participated in a money purchase pension scheme. Employer contributions for the higher paid employees were £56,807 (2020: £39,685).

One of the higher paid employees (2020: two) does not participate in a pension scheme.

The Chair of the Board of Trustees, Chris Hannah, received remuneration in the year of £15,000 (2020: £15,000), as allowed in the Memorandum and Articles of Association and agreement from the Charity Commission in June 2011. The Chair received £ Nil pension contributions during the year (2020: £ Nil). The Chair's remuneration is based on independent national and sector benchmarking and is approved by the Remuneration Committee. During the year the Chair will attend quarterly Board meetings, if required Extra-ordinary Board meetings and various workshops. Additionally, the Chair works closely with the Chief Executive Officer in the development of the strategy of the Charity.

No other Trustees, or persons with a family or business connection with a Trustee received remuneration in the year, directly or indirectly, from either the charity or an institution or company controlled by the charity. The trustees received no pension contributions. No Trustees (2020: 3) received reimbursement for travelling expenses in the current year (2020: £1,405).

9 STAFF NUMBERS

Group

The average number of employees during the year was as follows:

	No of employees	
	2021	2020
Management and Operational Care and Support Staff	1,878	2,070
Governance and administration of the charity	10	9
	<u>1,888</u>	<u>2,079</u>

The average number of employees on a full-time equivalent basis during the year was as follows:

	No of employees	
	2021	2020
Management and Operational Care and Support Staff	1,653	1,818
Governance and administration of the charity	10	9
	<u>1,663</u>	<u>1,827</u>

Red Hazels Developments Ltd did not have any employees in either year.

10 INTANGIBLE ASSETS

Group and Company

	Capitalised development costs £000	Software £000	Goodwill £000	Total £000
Cost				
As at 1 April 2020	48	1,523	1,300	2,871
Additions	173	-	-	173
As at 31 March 2021	<u>221</u>	<u>1,523</u>	<u>1,300</u>	<u>3,044</u>
Amortisation				
As at 1 April 2020	-	295	1,300	1,595
Provided in the year	-	123	-	123
As at 31 March 2021	<u>-</u>	<u>418</u>	<u>1,300</u>	<u>1,718</u>
Net book amount at 31 March 2021	<u>221</u>	<u>1,105</u>	<u>-</u>	<u>1,326</u>
Net book amount at 31 March 2020	<u>48</u>	<u>1,228</u>	<u>-</u>	<u>1,276</u>

Capitalised development costs relate to the development of the new Procurement & Finance System (expected to go live quarter four 2021/22 financial year), and the new Care Management System (pilot 2021/22 financial year with go live 2022/23 financial year). No amortisation has been charged in relation to these assets until they are available for use.

Amortisation charged in the year on software has been recognised within charitable activities expenditure.

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11 TANGIBLE FIXED ASSETS
Group

	Freehold land and buildings £000	Furniture and equipment £000	Total £000
Cost			
As at 1 April 2020	23,952	5,900	29,852
Additions	69	237	306
Disposals at Cost	<u>(7,454)</u>	<u>(234)</u>	<u>(7,688)</u>
As at 31 March 2021	<u>16,567</u>	<u>5,903</u>	<u>22,470</u>
Depreciation and Impairment			
As at 1 April 2020	8,024	4,522	12,546
Disposals at Cost	(3,326)	(193)	(3,519)
Impairment in the Year	1,532	-	1,532
Provided in the year	<u>542</u>	<u>195</u>	<u>737</u>
As at 31 March 2021	<u>6,772</u>	<u>4,524</u>	<u>11,296</u>
Net book amount at 31 March 2021	<u>9,795</u>	<u>1,379</u>	<u>11,174</u>
Net book amount at 31 March 2020	<u>15,928</u>	<u>1,378</u>	<u>17,306</u>

The cost of land held within freehold land and buildings amounts to £3,275,557 (2020: £4,522,357) and is not depreciated.

Included within freehold land and buildings above is one property (2020: two properties) under long leasehold of net book value £1,203,484 (2020: £6,856,372).

The previous bank loan from Barclays was secured by way of legal charges over four properties but has been settled in full in November 2020. The organisation is currently in the process of removing these charges from the Companies Register.

During the year the Charity made a decision for all its corporate staff to move to home based contractual arrangements. As a consequence, the Charity was no longer able to take advantage of the value in use assumption for the Head Office property known as Lion Court, resulting in an impairment to the value of the property of £1.5m. The Charity disposed of the property in August 2021.

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11 TANGIBLE FIXED ASSETS (CONTINUED)

Company

	Freehold land and buildings £000	Furniture and equipment £000	Total £000
Cost			
As at 1 April 2020	24,054	5,899	29,953
Additions	69	237	306
Disposals at Cost	<u>(7,555)</u>	<u>(234)</u>	<u>(7,789)</u>
As at 31 March 2021	<u>16,568</u>	<u>5,902</u>	<u>22,470</u>
Depreciation			
As at 1 April 2020	8,024	4,522	12,546
Disposals at Cost	(3,326)	(193)	(3,519)
Impairment in the Year	1,532	-	1,532
Provided in the year	<u>542</u>	<u>195</u>	<u>737</u>
As at 31 March 2021	<u>6,772</u>	<u>4,524</u>	<u>11,296</u>
Net book amount at 31 March 2021	<u>9,796</u>	<u>1,378</u>	<u>11,174</u>
Net book amount at 31 March 2020	<u>16,030</u>	<u>1,377</u>	<u>17,407</u>

12 INVESTMENTS IN SUBSIDIARY

Company	Registered office	Principal activity	Shares held Class	%
Red Hazels Developments Limited (Company number 09498298)	Lion Court Kings Business Park, Prescot Liverpool L34 1BN United Kingdom	Property development	Ordinary	100

The charity holds one share of £10 in its wholly owned trading subsidiary company Red Hazels Developments Limited. This is the only share allotted, called up and fully paid.

Prior to the signing of the Statutory Financial Statements, the Directors of the parent Alternative Futures Group Limited have taken the decision to close-down and strike-off at Companies House, Red Hazels Developments Ltd.

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The amounts included within the consolidated accounts for the subsidiary company are:

	2021 £000	2020 £000
Turnover	0	0
Expenditure, including Interest paid and received	4	3
Profit/(Loss) for the financial year	0	(2)
Total Assets	12	0
Total (Liabilities)	(120)	(108)
Equity at end of year	(108)	(108)

13 FIXED ASSET INVESTMENTS

Movement in fixed assets investments

	Group		Company	
	2021 £000	2020 £000	2021 £000	2020 £000
Fixed asset investments held for return:				
Listed investments	9,844	3,810	9,844	3,810
Investment properties	-	200	-	200
	<u>9,844</u>	<u>4,010</u>	<u>9,844</u>	<u>4,010</u>

	Group		Company	
	2021 £000	2020 £000	2021 £000	2020 £000
Listed investments				
Fair value brought forward	3,810	6,951	3,810	6,951
Additions to investments at cost	5,550	1,439	5,550	1,439
Disposal at carrying value	(257)	(4,242)	(257)	(4,242)
Changes in fair value	741	(338)	741	(338)
Fair value carried forward	<u>9,844</u>	<u>3,810</u>	<u>9,844</u>	<u>3,810</u>
Historical cost at 31 March	8,849	3,824	8,849	3,824

Listed investments at fair value comprised:

	Group		Company	
	2021 £000	2020 £000	2021 £000	2020 £000
Equities – UK	1,472	1,165	1,472	1,165
Equities – Overseas	1,856	1,204	1,856	1,204
Fixed interest securities – UK	1,214	1,234	1,214	1,234
Property – UK	202	207	202	207
Cash held for investment	5,100	0	5,100	0
Fair value carried forward	<u>9,844</u>	<u>3,810</u>	<u>9,844</u>	<u>3,810</u>

13 FIXED ASSET INVESTMENTS (CONTINUED)

The following holdings each constituted more than 5% of the year end fair value of the portfolio:

	£'000
iShares Index Linked	474
Rathbone Ethical Bond	324
Troy Trojan	472
Baillie Gifford International	439
Evenlode Income	317
Artemis Income	345
M&G Charifund	312
Hermes Emerging Markets	338
Sarasin Global Higher Dividend	290

Investment properties held at the prior year-end comprised of The Newlands building valued at £200,000 and this property was disposed on 28th October 2020.

14 STOCK

	Group		Company	
	2021 £000	2020 £000	2021 £000	2020 £000
Food products	-	8	-	8
	-	8	-	8

Stock relates to catering supplies held within the Treatment and Recovery centres, the value of which was immaterial as the Balance Sheet date.

During the pandemic the organisation has accumulated a stock of personal protective equipment, however, given this was obtained at nil cost through the Government PPE portal, so this is shown at nil value in the financial statements.

15 DEBTORS

	Group		Company	
	2021 £000	2020 £000	2021 £000	2020 £000
Trade debtors	2,815	3,615	2,815	3,615
Amounts owed from group	-	-	75	-
Prepayments	58	38	58	38
Accrued income	1,599	1,798	1,599	1,798
Other	10	12	10	12
	<u>4,482</u>	<u>5,463</u>	<u>4,557</u>	<u>5,463</u>

Trade debtors are stated after a credit note provision of £1,640,000 (2020: £1,440,000).

16 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2021	2020	2021	2020
	£000	£000	£000	£000
Bank loans and overdraft	0	3,001	0	3,001
Trade creditors	1,434	1,039	1,434	1,039
Accruals and deferred income	3,616	2,707	3,572	2,598
Social security and other taxes	1,317	840	1,317	840
Other creditors	564	439	564	439
	<u>6,931</u>	<u>8,026</u>	<u>6,887</u>	<u>7,917</u>

The bank loan from Barclays was settled in full on 12th November 2020, following the sale of the Tesito House facility in September 2020. Barclays are in the process of removing the legal charges over four properties, included within the total fixed asset cost within Note 11.

Included in other creditors is an amount of £189,159 (2020: £198,772) due to pension schemes which was paid subsequent to the year end.

Deferred Income at the end of the year was £1,548,274 (2020: £666,324) of which £324,565 (2020: £78,634) related to timing of invoices raised around year-end, £656,585 (2020 : NIL) related to Covid Infection control support, and the other £567,124 (2020: £587,690) related to invoices and payments in query, where monies received from commissioners do not match the amounts invoiced under the care-plans. Income deferred in the current year was £1,355,320 and amounts released from prior year was £473,370.

17 FINANCIAL INSTRUMENTS

	2021	2020
	£000	£000
Financial assets:		
Debt instruments measured at amortised cost	4,424	5,425
Instruments measured at fair value through profit or loss	<u>9,744</u>	<u>3,810</u>
	<u>14,168</u>	<u>9,235</u>
Financial liabilities:		
Measured at amortised cost	<u>4,066</u>	<u>6,520</u>

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18 MOVEMENT IN FUNDS

GROUP

	At 1 April 2020	Income	Expenditure	Gain on investment assets	Gross Transfer between Funds	Pension	At 31 March 2021
	£000	£000	£000	£000	£000	£000	£000
Unrestricted funds:							
Unrestricted funds	22,052	59,952	(59,475)	741	334	15	23,619
Restricted funds: gifted properties	<u>1,542</u>	<u>0</u>	<u>(23)</u>	<u>0</u>	<u>(334)</u>	<u>0</u>	<u>1,185</u>
Total funds	<u>23,594</u>	<u>59,952</u>	<u>(59,498)</u>	<u>741</u>	<u>0</u>	<u>15</u>	<u>24,804</u>

COMPANY

	At 1 April 2020	Income	Expenditure	Gain on investment assets	Gross Transfer between Funds	Pension	At 31 March 2021
	£000	£000	£000	£000	£000	£000	£000
Unrestricted funds:							
Unrestricted funds	22,261	59,952	(59,576)	741	334	15	23,727
Restricted funds: gifted properties	<u>1,542</u>	<u>0</u>	<u>(23)</u>	<u>0</u>	<u>(334)</u>	<u>0</u>	<u>1,185</u>
Total funds	<u>23,803</u>	<u>59,952</u>	<u>(59,599)</u>	<u>741</u>	<u>(0)</u>	<u>15</u>	<u>24,912</u>

Purpose of Restricted Fund

Restricted funds represent the book value of properties held which were gifted for use as treatment centres within Alternative Futures Group. The properties can only be used for this purpose. Any proposed change of use, including ceasing activities at the properties or a sale of the properties would require permission from the donor.

Purpose of Unrestricted Fund

Unrestricted funds are for the use of Alternative Futures Group Limited's charitable objectives.

18 MOVEMENT IN FUNDS (CONTINUED)

PRIOR YEAR MOVEMENT IN FUNDS

GROUP

	At 1 April 2019	Income	Expenditure	Gain on investment assets	Pension	At 31 March 2020
	£000	£000	£000	£000	£000	£000
Unrestricted funds:						
Unrestricted funds	24,069	60,807	(62,531)	(338)	45	22,052
Restricted funds: gifted properties	1,577	0	(35)	0	0	1,542
Total funds	<u>25,646</u>	<u>60,807</u>	<u>(62,566)</u>	<u>(338)</u>	<u>45</u>	<u>23,594</u>

COMPANY

	At 1 April 2019	Income	Expenditure	Gain on investment assets	Pension	At 31 March 2020
	£000	£000	£000	£000	£000	£000
Unrestricted funds:						
Unrestricted funds	24,276	60,807	(62,529)	(338)	45	22,261
Restricted funds: gifted properties	1,577	0	(35)	0	0	1,542
Total funds	<u>25,853</u>	<u>60,807</u>	<u>(62,564)</u>	<u>(338)</u>	<u>45</u>	<u>23,803</u>

19 ANALYSIS OF NET ASSETS BETWEEN FUNDS

Fund balances at 31 March 2021 are represented by:

GROUP	Unrestricted funds £000	Restricted funds £000	2021 £000
Intangible fixed assets	1,326	-	1,326
Tangible fixed assets	9,989	1,185	11,174
Investments	9,844	-	9,844
Current assets	9,391	-	9,391
Current liabilities	(6,931)	-	(6,931)
Long term liabilities	-	-	-
	<u>23,619</u>	<u>1,185</u>	<u>24,804</u>
Net assets			
	<u>23,619</u>	<u>1,185</u>	<u>24,804</u>
COMPANY	Unrestricted funds £000	Restricted funds £000	2021 £000
Intangible fixed assets	1,326	-	1,326
Tangible fixed assets	9,989	1,185	11,174
Investments	9,844	-	9,844
Current assets	9,455	-	9,455
Current liabilities	(6,887)	-	(6,887)
Long term liabilities	-	-	-
	<u>23,727</u>	<u>1,185</u>	<u>24,912</u>
Net assets			
	<u>23,727</u>	<u>1,185</u>	<u>24,912</u>

19 ANALYSIS OF NET ASSETS BETWEEN FUNDS (CONTINUED)

Fund balances at 31 March 2020 are represented by:

GROUP	Unrestricted funds £000	Restricted funds £000	2020 £000
Intangible fixed assets	1,277	-	1,277
Tangible fixed assets	15,764	1,542	17,306
Investments	4,010	-	4,010
Current assets	9,027	-	9,027
Current liabilities	(8,026)	-	(8,026)
Long term liabilities	-	-	-
Net assets	<u>22,052</u>	<u>1,542</u>	<u>23,594</u>

COMPANY	Unrestricted funds £000	Restricted funds £000	2020 £000
Intangible fixed assets	1,276	-	1,276
Tangible fixed assets	15,865	1,542	17,407
Investments	4,010	-	4,010
Current assets	9,028	-	9,027
Current liabilities	(7,917)	-	(7,917)
Long term liabilities	-	-	-
Net assets	<u>22,261</u>	<u>1,542</u>	<u>23,803</u>

20 RECONCILIATION OF NET INCOMING RESOURCES TO NET CASH INFLOW FROM CONSOLIDATED OPERATING ACTIVITIES

	2021 £000	2020 £000
Net Income/(Expenditure)	<u>1,195</u>	<u>(2,097)</u>
Adjustments for:		
(Profit) on disposal of tangible assets	(1,088)	0
Loss / (Gains) on investments	(741)	338
Amortisation charges	123	206
Depreciation charges	737	948
DB Scheme costs less contributions payable	41	67
DB Scheme net Finance cost/(income)	(26)	(22)
Doubtful Debt Provision	200	-
Impairment of Tangible Fixed Assets	<u>1,532</u>	<u>0</u>
	1,973	(560)
Movements in working capital:		
(Increase) / decrease in stock	8	0
(Increase) /decrease in debtors	981	907
(Decrease) / increase in creditors	<u>1,906</u>	<u>(332)</u>
Net cash generated by operating activities	<u><u>4,868</u></u>	<u><u>15</u></u>

21 CAPITAL COMMITMENTS

The charity had total capital commitments of £88,160 at 31 March 2021 (2020: £40,422). Capital commitments in respect of intangible assets were £Nil (2020: £Nil). Capital commitments in respect of tangible assets were £88,160 (2020: £40,422).

22 RETIREMENT BENEFITS

Contributions are made to the four pension schemes that are in operation, as follows:

- The NHS Superannuation Scheme in respect of certain employees who have the benefit of existing membership of the scheme by virtue of their NHS employment. The NHS Scheme is an unfunded final salary scheme operated by the National Health Service. The contributions are calculated so as to spread the cost of pensions over employees' working lives, whilst they remain in qualifying employment, in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of periodic valuations, and any deficit is underwritten by the Treasury.

The scheme is not designed to be run in a way that would enable employers of eligible employees to identify their share of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as if it were a defined contribution scheme: the amount charged against profits represents the contributions payable to the scheme.

- Stakeholder pension scheme with banded contributions up to 14% depending on grade are available to all staff.
- Two defined benefit schemes (as noted below) as a result of staff joining the company by means of TUPE transfer.

The assets of these schemes are administered, by Trustees, in funds independent from those of the group.

Defined benefit plans

Lancashire County Pension Fund

These figures arise as a result of an admission of staff, as a result of a TUPE transfer, which commenced 10 November 2008. The figures cover the period from 1 April 2020 to 31 March 2021 and all the data items relate to the same period.

Greater Manchester Pension Fund

These figures arise as a result of an admission of staff, as a result of a TUPE transfer, which commenced in June 2007.

The Balance Sheet and other disclosures as at 2021 are based on the last full actuarial valuations as at 31 March 2016 and updated to 31 March 2021, and include the pension schemes in aggregate.

Overall assumptions:

Key assumptions used:	Total of pension schemes	Total of pension schemes
	2021	2020
	%	%
Discount rate	2.1	2.4
Expected return on plan assets	15.7	(3.1)
Equities	15.7	(3.1)
Bonds	15.7	(3.1)
Property	15.7	(3.1)
Cash other	15.7	(3.1)
Rate of inflation	2.8	2.1
Expected rate of salary increases	3.9	3.2
Future pension increases	2.8	2.1

22 RETIREMENT BENEFITS (CONTINUED)

The average life expectancy for a current pensioner on the balance sheet date is:

	Total of pension schemes 2021 Years	Total of pension schemes 2020 Years
Male	21.5	21.4
Female	24.2	24.1

The average life expectancy for a future pensioner retiring at 65 aged at the balance sheet date:

	Total of pension schemes 2021 Years	Total of pension schemes 2020 Years
Male	22.9	22.9
Female	26.1	25.9

The assumptions used by the actuaries are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

Amounts recognised in the statement of financial activities in respect of these defined benefit schemes are as follows:

	Total of pension schemes 2021 £000	Total of pension schemes 2020 £000
Current service cost	49	64
Past service costs	-	15
Interest cost	136	144
Interest income	(162)	(166)
Administration costs	1	1
	24	58
	24	58

Actuarial gains and losses are reported in the statement of financial activities. The loss recognised in 2021 was £298,000 (2020: £159,000 gain).

An additional gain of £313,000 (2020: £114,000 loss) has been included in the Statement of Financial Activities this year in relation to the movement in the asset in the Greater Manchester Pension Fund and the Lancashire County Pension Fund being derecognised from the Balance Sheet, in accordance with Charities SORP requirements, since the charity is unable to recover any surplus through either reduced contribution in the future or through refunds from the scheme.

The actual return on scheme assets was £583,000 (2020: £46,000) for Lancashire County Pension Fund and £380,000 (2020: £105,000) for Greater Manchester Pension Fund.

22 RETIREMENT BENEFITS (CONTINUED)

The amount included in the Balance Sheet arising from the Group's obligation in respect of defined benefit retirement schemes is as follows:

	Total 2021 £000	Total 2020 £000
Fair value of scheme assets	7,643	6,881
Present value of defined benefit obligations	<u>(6,942)</u>	<u>(5,867)</u>
Asset in scheme	701	1,014
Asset on Greater Manchester scheme derecognised in year	(36)	(149)
Asset on Lancashire scheme derecognised in year	<u>(665)</u>	<u>(865)</u>
Recognised in balance sheet	<u>0</u>	<u>0</u>

Movements in the present value of defined benefit obligations in the current period were as follows:

	Total 2021 £000	Total 2020 £000
At start of period	5,867	6,112
Current service cost	49	64
Past service cost	-	15
Interest cost	136	144
Actuarial (gains) and losses	1,033	(254)
Contributions by plan participants	9	10
Benefits paid	<u>(152)</u>	<u>(224)</u>
At the end of the period	<u>6,942</u>	<u>5,867</u>

Movements in the fair value in the share of scheme assets in the current period were as follows:

	Total 2021 £000	Total 2020 £000
At start of period	6,881	7,012
Interest income	162	166
Administrative expenses	(1)	(1)
Return on plan assets less amounts included in net interest	735	(95)
Employer contributions	9	13
Members contributions	9	10
Benefits paid	<u>(152)</u>	<u>(224)</u>
At the end of the period	<u>7,643</u>	<u>6,881</u>

22 RETIREMENT BENEFITS (CONTINUED)

The analysis of the scheme assets at the balance sheet date were as follows:

Lancashire County Pension Fund

	Total of pension schemes Fair value assets 2021 £000	Total of pension schemes Fair value assets 2020 £000
Equity Instruments	2,751	2,866
Government bonds	0	0
Other bonds	0	135
Property	833	459
Cash / liquidity	129	151
Other assets	2,152	1,794
	<u>5,865</u>	<u>5,405</u>

Greater Manchester Pension Fund:

	Total of pension schemes Fair value assets 2021 £000	Total of pension schemes Fair value assets 2020 £000
Equity Instruments	1,280	1,018
Government bonds	213	221
Other bonds	0	0
Property	124	103
Cash / liquidity	160	133
	<u>1,778</u>	<u>1,476</u>

The estimated amounts of contributions expected to be paid to the schemes during the financial period ending 31 March 2022 are £Nil (2020: £ Nil) in respect of Lancashire County Pension Fund and £9,000 (2020: £13,000) in respect of Greater Manchester Pension Fund.

23 LEASING COMMITMENTS

At the reporting end date the Group and Charity had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Group		Company	
	2021	2020	2021	2020
	£	£000	£	£000
Within one year	57	148	57	148
Between two and five years	14	50	14	50
	<u>71</u>	<u>198</u>	<u>71</u>	<u>198</u>

24 TAXATION

Alternative Futures Group Limited as a registered charity is exempt from Corporation Tax under the Corporation Tax Act 2010 (chapters 2 and 3 of part ii, section 466 onwards) or Section 256 of the Taxation for Chargeable Gains Act 1992, to the extent that surpluses are applied to its charitable purposes.

25 LEGAL STATUS OF THE CHARITY

The charity is a company limited by guarantee incorporated within the United Kingdom and has no share capital. In the event of the charity being wound up, the liability in respect of the guarantee is limited to £10 per member of the charity.

As at 31 March 2021, the company had 10 members (2020: 9).

26 CONTINGENT LIABILITIES

In January 2019, the charity suffered a serious untoward incident at one of our Treatment and Recovery Centres that tragically resulted in a patient death. An investigation by the Regulator (Care Quality Commission) concluded in December 2019 with no criminal action against AFG. Due to the impact of Covid-19, the inquest into the patient death has been significantly delayed, with the case now likely to be heard March – May 2022. Until such time the inquest progresses, we remain unable to assess the likelihood of any liability. As a result, no liability has been recognised as a provision within the accounts.

The Group provides a Death in Service benefit for all staff however the insurance policy does not provide the benefit to any staff aged over 75. The Directors are aware of a small cohort of staff who are aged over 75, and the estimated death in service benefit relating to those staff if it were to arise would be £143k.

The group is unaware of any other material liabilities for which provision has not been made in these financial statements.

27 RELATED PARTY TRANSACTIONS

There have been no related party transactions in the period other than trustee remuneration and expenses, as disclosed in Note 8, and transactions with the subsidiary Red Hazels Developments Limited disclosed below:

	£
Amounts charged to Red Hazels for administrative costs paid by AFG	-
Monies transferred to Red Hazels to pay creditors	89,493
Amounts discharged by AFG	(14,113)
Amount owed from Red Hazels at 31 March 2021	75,380

28 POST BALANCE SHEET EVENTS

Sale of Lion Court

AFG completed the sale of the property known as Lion Court on 13th August 2021 for an amount of £2.0m, after having impaired the value of the building by £1.5m during the current Financial Year.

Lea Court

During January 2021, the organisation was required to close the Lea Court Treatment & Recovery Centre as a consequence of flood damage caused by Storm Christoph. Work to reinstate the property has now completed, the centre has re-opened, and the return of patients commenced in late November 2021. Costs associated with both property re-instatement and business interruption were substantially covered by the insurance arrangements the organisation had in place at the time.

Red Hazels Developments Ltd

Prior to the signing of the Statutory Financial Statements, the Directors of the parent Alternative Futures Group Limited have taken the decision to close-down and strike-off at Companies House, Red Hazels Developments Ltd.