



ANNUAL REPORT & FINANCIAL STATEMENTS

**FOR THE YEAR ENDING
31 MARCH 2022**

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Alternative Futures Group Limited Chair's Statement

I was extremely delighted and very privileged to be appointed as Chair of Alternative Futures Group (AFG) in November 2021, replacing the outgoing Chair, Chris Hannah, who had done a superb job leading the organisation for almost 10 years.

AFG is a fantastic organisation with an amazing purpose, value set and organisational vision. At the centre of all that, and the real reason that makes AFG different from other, similar organisations, are the amazing staff that work here and the incredible work they do.

AFG staff are truly inspirational people, incredibly committed and passionate about their work and the purpose of the organisation. Their inspiration creates a real buzz about the place, and their passion, drive and enthusiasm instills a real sense of "can do" and resilience in the organisation that I believe encourages the amazing people we support to achieve some amazing things.

In the past year, that "can do" attitude and resilience has really been tested.

Of course the last 2 years living within a pandemic has been an incredible challenge for all of us, but none more so than for those who work front line in health and social care. COVID was still very much with us throughout 2021/22 and we heavily relied on the resilience, dedication and ingenuity of our workforce to help ensure the safety and continuity of our service provision. We faced a further two significant spikes in COVID during the year with the peak of our staff COVID absences (160 in one day!) in January 2022.

During the year, we received limited financial support from Local Authorities for additional COVID costs in Supported Living and outreach services, and absolutely no additional funds from the NHS for our 6 independent mental health hospitals.

Furthermore, we were put under incredible pressure in early 2021 with the proposed introduction of legislation for mandatory COVID vaccinations in social care. This led to a significant rise in anxiety amongst our workforce and a significant number of staff departures, and then the Government changed their minds! However, despite all of this disruption, the organisation continued (as it brilliantly does) to provide safe, high quality care and support to the people we support.

The Board and I remain immensely grateful for all the incredible hard work and commitment of staff during the recent COVID period. We continue to be proud and humbled by the ongoing 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.

As we went into the Autumn/Winter of 2021, the organisation was faced with a new threat - a growing workforce challenge. As the world recovered from COVID and the UK started living life post-Brexit, inflation, pay issues and workforce shortages began to become a significant issue for the sector. Workforce shortages in sectors such as retail, transport and hospitality were causing a significant uplift in wages meaning many health and social care staff were attracted away from the sector.

In response to the situation, almost all providers had to increase front line Care/Support Worker pay to that above National Minimum Wage (NLW) despite no additional funding from Local Authorities or the NHS to pay for it. At AFG we have always wanted to become a Real Living Wage (RLW) employer, so we increased our Support Worker pay from NLW (£8.91 per hr) to £9.50 per hr (RLW) in January 2022. In the absence of financial support from our commissioners, we funded this from the charity's reserves and the recent sale of our Head Office in August 2021 for £2m.

The January increase in pay helped reduce attrition rates for a short period of time, but it had little impact on attraction of new staff as other competing sectors (retail, transport, hospitality etc.) also improved pay further, frustratingly well above that affordable for social care to compete. As the cost of living crisis began to bite in early Spring 2022 the provider sector responded and increased pay again, with AFG following suit and increasing pay further to up to £10.00 per hr in April 2022 – keeping pace with RLW.

Every pay increase we provided above NLW remains unfunded by the vast majority of commissioners, both Local Authority and NHS. Increases are being funded from AFG's charitable reserves as fees for services are still being commissioned at NMW levels. In the coming year, the organisation will be

committing over £1.5m from reserves to improve pay for front line staff plus a further £0.8m in pay for retention of operational management and corporate staff. Our projection and major concern is that the unstable economic position persists and inflation, workforce shortages and pay increases continue beyond the short term. This will put significant strain on many providers and without financial support from the Government and Local Authorities will mean difficult decisions for the provider community.

As for increased funding, in Adult Social Care, Local Authority care rates for Supported Living increased only in line with NMW, (6.6%, April-22). However, many of our commissioners announced increases well below the 6.6% (one giving a 0% increase!), citing Government funding shortages and Council budgetary challenges.

These are potentially dark days for social care and at times I do fear for its future and the short term thinking and planning from within our commissioners. The Government must act swiftly and robustly to ensure commissioners have funding to pay providers appropriately for the amazing work they do. If they do not then it is highly likely the sector will see more service hand-backs and provider failures. The real victims of this being the people supported who endure unnecessary change and impact on the continuity and familiarity of their support.

In Mental Health, the NHS and Clinical Commissioning Groups awarded NHS providers with a paltry 2% rate increase (April-22). This is significantly below inflationary costs and does not cover the increased costs of provision faced during the year. At the time of writing we continue to negotiate with our NHS Commissioners on the service fees for our Mental Health Rehabilitation Services. Whilst structural changes within the NHS may cause us further delay, we are hopeful that longer term the Integrated Care System will bring greater funding and certainty to the provider market.

As a consequence of the sector funding, pay and workforce challenges, AFG's short to medium term plans remain highly agile. Our financial situation (funding and pay) remains extremely challenging in both our health and social care provision, and, workforce shortages look likely to continue for at least a further 2 years. However, the Board and the Executive Team remain confident that the organisation is sufficiently robust to navigate this, even if this requires some difficult decisions to be made. In the true spirit of the organisation, we will rise to the challenges, take what action is necessary to protect our purpose, and we will find a way through.

I am delighted to report that the Charity reported Net Income of £1.9m (2020/21: £1.2m) AFG remains a strong, respected, and financially stable organisation. Reserves are highly liquid and have been bolstered by recent property sales, cost efficiency programmes and improved operating performance.

The Board and Executive Team have already made some tough (but correct) decisions in the recent past to make the organisation as fit and efficient as it can be without compromising the quality and safety of our services. Moving forward, we will continue to drive efficiencies and performance improvements, and continue to work with our commissioners to innovate what we do, meet their changing requirements, and provide the very best value and outcomes possible. We will position ourselves as being part of the collaborative solution rather than a victim of the problems and challenges that we all face.

I am also delighted to report that this year's Annual Business Plan achieved the majority of its key aims, objectives and financial targets for the year. Our key highlights being all our services are all rated "Good" or "Outstanding", the delivery of circa 800 Butterfly Moments (significant personal goals achieved), our Head Office downsize and move to Liverpool City Centre, and significant progress in our digital development programme.

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. Our strategy is to realise this opportunity and integrate readily available digital technology into our support model. We have already commenced a number of projects that when complete will allow us to make available tailored digital solutions, that will promote independence, inclusion, choice and control for the people we support.

In the year, we have seen no changes to our excellent Executive Team, however, we have said goodbye to a number of long serving Trustees and welcomed a number of new ones. I would like to pass on my and the organisation's sincere gratitude to those Trustees who have left us this past year for their fantastic work over recent years. Similarly, I would like to extend a warm welcome to our new colleagues as we build a new Board together and enter a new era for the organisation.

In summary, 2021/22 has been another incredibly tough year. However, we continue to perform well, make good decisions in how we manage the organisation, and rise to the challenges we face. Nonetheless, the ongoing uncertainty in the global economic and political landscape means further difficult years ahead for our markets and our organisation.

Looking ahead, I have no doubt that the organisation will be able to navigate its significant challenges and obstacles. Myself and the Board will remain acutely focused on doing what is right for the organisation, the people we support and their families, our staff and our commissioners. We will continue to make the necessary decisions to ensure we provide only the very best care and support to the people we are very privileged to support.

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 all front-line colleagues, operational managers, and corporate staff for the fantastic professional and dedicated work you do for our beneficiaries.

My thanks also to our Senior Leadership team at AFG for their excellent leadership and management of the organisation.

Finally, thank you to all my new colleagues on the Board, whose skill, experience, time and dedication will ensure we continue to lead this amazing organisation through its current and future challenges.

Brian M Walsh

Brian Walsh
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	Resigned as Chair of Audit & Risk Committee 9 February 2022 and resigned as Trustee 14 March 2022
Peter Fieldsend	Chair of Audit & Risk Committee	Appointed 9 February 2022
Jonathan Lloyd	Chair of Performance Committee	Resigned 10 November 2021
Mike Clarke	Chair of Red Hazels Developments Limited	Resigned 30 March 2022
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		Resigned 15 October 2021
Andrew Denton		Resigned 8 July 2021
Michelle Wood		Resigned 2 July 2022
Alex Fox		Appointed 10 November 2021
Nicola Cook		Appointed 10 November 2021
Helen Bellairs		Appointed 10 November 2021
Julie Chadwick		Appointed 10 August 2022
Beatrice Udeh		Appointed 29 April 2022
Louise Marsden		Appointed 29 April 2022
John McLuckie		Appointed 9 February 2022

Executive Officers:

Executive Officer	Position	Changes in the Year
Ian Pritchard	Chief Executive Officer	
Kirsty Muldoon	Chief People Officer & Chief Operating Officer of Learning Disability	
Chris Stephens	Chief Financial Officer	
Christopher Hughes	Chief Quality Officer, Chief Operating Officer of Mental Health	
Andrew Kendall	Chief Commercial Officer	

Company Information and Advisors:

Company Registration Numbers:	02679915 Companies House 1008587 Charity Commission
Registered and Principal Office:	Exchange Station, Tithebarn Street, Liverpool, England, L2 2QP
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 2022

The Trustees of Alternative Futures Group (AFG) present their report and audited financial statements for the year ended 31 March 2022. The Trustees have prepared this report under the Charities Act 2011 and 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 March 2022.
- 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 nearly 1000 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	
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. Our 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, adult care home, 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 the year to 31 March 2022, 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.

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During 2021/2022, all our residential and non-residential activity was funded through contracts with either Local Authorities or the NHS. Other than infection control monies, AFG do not receive funding to cover the costs for our core services via grants or donations.

Public Benefit

Alternative Futures Group is a Public Benefit Entity. In accordance with our objectives and activities for 2021/22, 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 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 12 voluntary Trustees. The Chair and Trustees bring a range of senior professional, public and private 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.

The subsidiary, Red Hazels Developments Limited, had 2 Board Members during the year, Mike Clarke and Ian Pritchard, with Mike Clarke resigning 31 March 2022.

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 national and 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.

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Audit & Risk Committee

The Audit & Risk Committee met four 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.

Finance & Performance Committee

The Performance Committee met five 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.

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 five 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 any salary review.

Salaries for Executives are benchmarked against comparative positions both within and outside of the sector.

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 courtesy seats for 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) took place in October 21, the return was 53% with an interaction rate of 73%. The engagement score had reduced to 73% positive from 81% the previous year. The feedback remained overwhelmingly positive however, with the rising cost of living, pay was a focus of feedback from the survey. We were delighted to address this during the year with two pay increases for our front line staff in January 22 and April 22 improving pay by 11%. This was a significant investment in the improvement in pay for our valued staff. We continue to listen to what is important to staff and respond to their feedback in other areas.

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 operational and corporate processes that we had developed to minimise, monitor and respond to outbreaks in the first year of the pandemic were refined in 2021-22 alongside the evolving Government and Local Authority guidance for the sector. As in the previous year, our independent hospitals did not receive specific guidance and, depending on location, were following a mixture of NHS and care home guidance at different times.

Our head office remained closed throughout 2021-22 with all corporate and management staff permanently working from home.

Our Covid-19 roadmap for aligning the organisation to respond to any changes in national restrictions and sector guidance was based upon vaccinations for staff and the people we support, routine testing, use of PPE, environmental risk assessments and infection control procedures.

We were able to cease our weekly Covid-19 Emergency Planning Team meetings at the beginning of the year. Shielding for clinically vulnerable individuals ceased at this time, with AFG's Coronavirus Job Retention scheme (furlough) claims ceasing in May 2021.

We experienced 2 major peaks in Covid-19 activity around July-21 and January-22 with high levels of positive test results and staff absence due to self-isolation. Our use of casual and agency staff increased during these periods as did our reliance on managers stepping down into frontline delivery of support. The January-22 wave was the most intense we have experienced throughout the whole pandemic with over 160 staff absent due to Covid at any one time. Despite these increased numbers, generally, people did not appear to be as unwell, and we had much lower levels of hospitalisation or serious illness than the previous year.

The provision of PPE through the government's online portal ensured we had sufficient supplies of equipment at all times and we made regular submissions to CQC using their capacity tracker to provide intelligence on notifications, staff absence and PPE supplies.

Vaccinations for staff in care homes became law in November 2021 which affected us at one service in Liverpool. We contributed to the consultation on mandatory vaccinations in other service types and began planning for this to become compulsory for our staff on 1st April 2022. This was added to our revised Winter Pressures Plan 2021-22 and submitted to CQC and DHSC. We were forecasting that the organisation may lose several hundred staff who could not evidence compliance with the mandatory vaccination requirements. Obviously, this requirement was subsequently removed just before the deadline for staff to have their first vaccination at the beginning of February 2022.

Our vaccination levels had reached 90% for staff and 86% for the people we support by the end of 2021-22.

Equality and Diversity

AFG has a vision to create a world where people control their lives. We value difference and believe we can only truly make a positive difference to the lives of the people we support with a culture that is inclusive, rich in diversity, and values all our people. We have a deep sense of pride in what we do, and we know through experience that the different ideas, life experiences and backgrounds of our people create a stronger, richer, more creative, and inclusive environment that creates better outcomes for us all. We strive to create a culture where our staff and the people we support can be their true self, are empowered to share their experiences and ideas, and to achieve their aspirations and goals.

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 and we've included this approach in some of our recent tenders.

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.

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.

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.

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	31-Mar-22	31-Mar-21
Total energy usage (kWh)	1,993,196.00	2,275,082.00
Relating to:		
Gas (kWh)	1,378,699.00	1,595,631.00
Electricity (kWh)	554,043.00	667,878.00
Transport fuel (kWh)	60,454.00	11,573.00
Emissions:		
Gas (tCO2e)	252.50	293.40
fuel for transport (tCO2e)	15.2	2.9
Emissions from purchased electricity (tCO2e)	129.2	155.7
Intensity ratio	0.2 tons per staff member	71kg CO2 per m2 hospital space

The 2019 UK Government Environmental Reporting Guidelines to include Streamlined Energy and Carbon Reporting Guidance have been adopted. UK Government GHG Conversion Factors for Company Reporting (2021) have been adopted.

We are currently developing our plans to achieve Net Zero Carbon status which will be ahead of 2050. During 2020/21 financial year, the organisation changed the working arrangements for its Corporate staff, with staff moving to a home based working arrangement. Financial year 2021/22 is the first year in which we have seen the full year environmental benefit of this decision, and this working practice will continue in operation for the foreseeable future, helping the Charity to reduce its carbon footprint. In the forthcoming years, the organisation will continue to review areas where opportunities potentially exist to reduce the carbon footprint of the organisation, e.g., ways of working in our Treatment and Recovery centres, the introduction of solar panels as an energy source, replacement of gas boilers with electric heat pumps and reviewing both the size of and the energy efficiency of the vehicle fleet.

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. COVID continued to be a feature of the year and 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.

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. Unfortunately for the second year running we had to take the tough decision to

postpone the event due to COVID-19 but we are committed to hosting in 2022. The committee are also working on a new Service User Conference, which will be held in 2022. 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 Finance and Performance Committee and the Board.

The Group's annual budget was approved by the Board at the start of the 2021/22 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.

The internal audit programme for 2021/22 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 pages 21-22 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 2021/22 (year 2 of our 5 year plan) 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 (on our journey to longer term 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 continued its journey to a financially sustainable future by exceeding our budgeted target of break even and delivering a surplus.

We continue to grow slowly and modestly as an organisation with a number of new services commencing across our footprint both in Learning Disability and Mental Health. As a consequence of the restrictions of Covid-19, we were unable to deliver our full year target for Butterfly Moments, however, significant progress was made, much of which incorporated aspects of the people we support interacting with digital technology.

We were delighted to build our employee engagement scores and return rates. Our second all digital survey recorded a 53% return rate (2020/21 = 55%) and an EES (Employee engagement survey) score of 73% (2020/21 = 81%). As anticipated, our scores were slightly down on previous year due to the impact of our Chance for Change programme which resulted in a number of employee benefit changes. We will be working hard on our employee engagement plans to ensure that scores bounce back for 2022.

We continued our digital pilots in the year as part of our digital strategy implementation, with fantastic feedback from staff and the people we supported.

Alongside this the organisation has maintained AFG's high quality of service provision with CQC rating of "good" in all domains within Supported Living and Adult Care Homes (ACH), and in all six of our Treatment & Recovery Centres. One of our TRCs is rated as overall Outstanding, and our ACH is rated Outstanding for Effective Care.

Financial stability

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

- Alternative Futures Group Limited achieved Net Income Before Other Recognised Gains and Losses of £1.9m (2021: £1.2m), including Investment Income of £0.1m (2021: £0.1m) and Investment Realised/Unrealised gains of £0.2m (2021: £0.7m);
- Red Hazels Developments Limited made a deficit of £5k (2021: £NIL);
- Overall, the funds of the Group amount to £27.1m (2021: £25.3m)

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

Operating performance

The Group's Net Income of £1.9m (2021: £1.2m) for the year is 3.0% (2021: 2.0%) of income. The current year result benefits from Coronavirus related monies of £1.1m (2021: £0.07m), Income/Gains from the Investment Portfolio of £0.2m (2021: £0.8m) and Furlough monies of £0.1m (2021: £0.6m). The Charitable Income of the Charity of £60.1m approximates to levels seen in 2021 of £59.2m, with no significant changes in the Charity's portfolio of contracts. During the year the Charity has disposed of its former head office known as "Lion Court" with a small gain on disposal being recognised after an impairment charge in the previous year (2021: (£1.532m)) which was offset by a profit on disposal of other assets of £1.088m. This continues the cost reduction actions noted in previous years.

The Charity and the wider sector continue to operate in a challenging economic environment, with the sector continuing to go through a period of sustained austerity, alongside an increasing cost base driven by above inflation increases to National Living Wage. This situation has been exacerbated by structural resourcing issues within the sector, worsening significantly during the Covid-19 pandemic. 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;
- work-force challenges facing the sector.

To help mitigate the impact of these issues the Trustees:

- seek 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;
- utilise the pricing model developed by the Charity to enable informed negotiations with our commissioners re. pricing;
- 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;
- continue to ensure all covid monies offered by commissioners have been claimed.

Whilst the organisation has delivered Net Income in the year of £1.9m (2021: £1.2m), this includes £1.1m (2021: £0.07m) of Covid related monies. Additionally, as the organisation exits the old financial year and enters a new one, the sector faces significant work-force challenges. As a consequence of the cost saving work undertaken across a number of years, the Charity is able to move the pay of its front line support workers from National Living Wage to Real Living Wage, with this increase being funded out of the reserves of the Charity. Looking forward the Trustees will work closely with our commissioners to ensure the Charity receives appropriate levels of funding from our commissioners. As reported in previous years, 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.

The Covid-19 pandemic has impacted the Charity both operationally and financially in both the last two financial years. Whilst the Charity has navigated its way through the pandemic extremely well, the structural work-force issues now impacting the Charity and arising as a consequence of the pandemic are one of the most significant issues facing the sector in recent times. Actions taken by the organisation around Covid-19 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 were successful in winning a place on the following framework contracts:

- Stockport Mental Health and Vulnerable Adults Flexible Purchasing System
- Greater Manchester Mental Health – Strategic Complex Needs Flexible Purchasing System
- Warrington Learning Disability and Mental Health Dynamic Purchasing System

Each of these contracts provides a foundation for growth although we need to tender for individual packages as they come to market. We have since been successful on several of the Warrington opportunities.

We have also won several high-value commissions and we have six multi-occupancy schemes in the pipeline which will generate future revenue.

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 £1,710k as at 31 March 2022 (2021: £701k). Since the charity can only recognise the lower of the FRS102 valuation, and the actuarial valuation of future service costs, a portion of this has not been recognised. The actuarial gain from the two schemes of £1,032k (2021: £298k loss) and the adverse movement in the derecognised asset of £878k (2021: £113k favourable) are both shown through other gains and losses on the face of the consolidated statement of financial activities.

Treasury Management

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 £13.492m (2021: £9.844m). There was a net unrealised gain on investment of £0.170m (2021: £0.741m unrealised gain) during the year. The funds held in investments are used to further the charitable purpose and public benefit. The return on investment was £0.09m (2021: £0.09m) 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 £2.441m (2021: £4.868m). The most significant cash flows arise from the purchase of investments £4.037m and the sale of fixed assets £1.970m. The Group's cash balance at the end of the financial year was £4.839m (2021: £4.909m).

The Group ended the year with net current assets of £2.979m (2021: £2.460m).

Property Disposals

Lion Court, the previous head office of the Charity was disposed of during the year. Details of the disposals can be seen in Note 12 of the financial statements.

Property Impairment

There is no requirement to impair any of the properties held in the financial statements in the current year as they are all generating positive contribution.

Given the decision to permanently move all corporate staff previously working in Lion Court to home based working arrangements in 2020/21 financial year, the Charity was unable to adopt the value in use assumption and hence an impairment of £1.532m was recognised in the prior year financial statements. The property was disposed of in August 2021.

Achievement against 2021/22 Financial Key Performance Indicators

The key financial performance indicators for the year and targets for 2021/22 are set out below:

End of Year KPIs	Target - FY201-22	Actual as at 31/3/21	Actual as at 31/3/22	Commentary
Debtor Days - gross	< 30	28 days	30 days	Marginally above target due to delays from commissioners
Creditor Days	>30	64 days	46 days	Extract from Payment Practices Report submitted to Companies House - 1/10/21 to 31/3/22.
Investment Income - Return %	3% p.a.	2.10%	1.90%	Income relatively low due to falling bond yields as well as dividend cuts within equities.
Investment Income - Growth %	3% p.a.	17.50%	3.10%	Markets fell back due to concern over Russian invasion of Ukraine, rising inflation and tightening central bank monetary policy.
Gearing %	<35%	0.00%	0.00%	Barclays Bank Loan repaid in full in 2021. AFG has no Debt at Balance Sheet date

Achievement against 2021/22 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	975	766
Employee Engagement Score	80%	73%
Average win rate for referrals	50%	79%
Number of digital pilot projects	20	16
CQC ratings ≥ "Good"	11	11

Butterfly Moments

Every Butterfly Moment is an amazing event, where a person we support achieves a goal, ambition, milestone, or life-changing moment on their journey to greater independence, choice and control of their lives. These events are amazing no matter how big, small, significant or insignificant, with both their world and ours positively changing forever.

Assets held on behalf of People that we Support

At 31 March 2022, AFG held funds of £22,766 (2021: £23,902) in its HSBC Bank Account, on behalf of people that we support, included in the Balance Sheet as both an Asset and a Liability, and in note 15. AFG has no title to this money.

Additionally, AFG has corporate appointee-ship responsibility for administering the personal funds of a number of people that we support. The appointee-ship 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 on a periodic basis. 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 (64%), equities (26%), Government and Corporate bonds (8%) Other including emerging markets and property (2%).

Investment performance is reviewed annually against a total return target of 6.5% - 7.0% per annum (assuming RPI inflation of 3%). The Trustees were satisfied with the total return of 5.0% (2021: 2.1%), comprised of 3.1% Capital Return and 1.9% Income return for the financial year. All investments have been made within the agreed policy.

Reserves Policy and Performance

Total funds held amount to £27,058k (2021: £25,003k as restated) of which £1,162k is restricted (2021: £1,185k), with the remaining £25,896k unrestricted (2021: £23,818k as restated). 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 (2021: £5.5m), with the available level of reserves being £11.8m. 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 £6.3m (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. This headroom is required to be held to support any future under funding to the Charity, see the Going Concern accounting policy.

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. • 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. • Increased procurement activity to drive greater value for money on largest expenditure items. • The organisation continues to closely monitor the financial viability of all commissioner contracts and will take appropriate actions as required including contract hand back.
UK political, economic, environmental and social factors (such as Brexit, economic performance, utility prices, 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 investment made from reserves to increase staff pay to improve retention rates. • Additional investments made from reserves to support recruitment initiatives of new staff. • Increased use of casual staff and agency.
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 2022, All AFG services rated Good or Better.

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 confirmed 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. To maintain a level of control against these significant market challenges, exacerbated by significant inflationary pressure being seen at present, the Charity has been operating against a five-year strategy which was launched by the organisation in 2020. During the year the decision making of the Trustees has been made against the back-drop of this strategy. The Charity aims to retain control of its own survival and future despite the uncertainties and difficulties the market presents us. The strategy adopted 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 continue to engage 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 Team 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. As an integral part of our services, 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 the people we support to access their community more, to forge new relationships and to build their confidence and independence. Equally, it helps to promote a greater degree of awareness to the community of our services and the positive impact of the people we support, our staff and the Charity's purpose.

AFG are committed to being a socially responsible organisation and delivering significant social value to communities and society.

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 we sold the corporate headquarters during the year. 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 Streamline Energy and Carbon Reporting section of Report of the Trustees on pages 11-12).

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 (including Market Oversight).

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 Team 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.

Future Plans - Our 2022/23 Objectives

In 2019/20, we delivered a year 0 annual 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 commenced our strategic plan and delivered an annual business plan that protected our current business, built new partnerships to help us develop and grow, and pioneered new ways of working, new digital technologies and new service models. In 2021/22, we set an annual business plan that would aspire us to our new goals, accelerate our improvement plans (as we emerged from the pandemic) and begin to achieve some key milestones.

For 2022/23, we must continue with the fantastic progress we have made so-far, as we commence the third year of our 5-year strategic plan. During this year, we will take a pause and refresh our strategic plan as so much has changed in the external operating environment in the last 2 years. We must continue to be agile as an organisation in order to navigate the challenges and opportunities as they present. We enter a post-COVID, post-Brexit era with significant political, social and economic challenges including a war in Ukraine, a cost of living crisis, global inflation, workforce shortages etc. As such, our annual business plan for 2022/23 aims to address these challenges with a single-minded in-year focus on pay, people and our performance. Alongside this we will continue to work closely and strategically (where possible) with our commissioners to resolve funding issues to maintain our high quality services. Furthermore, we will continue with our digital development programme to innovate new ways of delivering increased independence, choice and control for the people we support.

Auditors

A resolution to re-appoint RSM UK Audit LLP as the Group's external auditors for 2022/23 was proposed and agreed at the Board Meeting 9 November 2022.

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.

As observed in the prior year financial statements, the Charity has navigated its way through the Covid-19 pandemic extremely well. Notwithstanding this point there remains a level of uncertainty re. what challenges the pandemic may bring to both the sector and the wider economy in the future.

In the short run, the Covid-19 pandemic and the "cost of living" crisis has brought significant work-force challenges to the sector, with both retention and recruitment of staff becoming very real issues. Given these challenges, the Charity continues to invest in pay with a budget deficit being set for the 2022/23 financial year, which will be funded through the reserves of the Charity. As we look forward, the organisation will continue to look for opportunities to optimise its position in the sector.

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 2022 the Charity reported a cash balance of £4.84m (2021: £4.90m) and liquid investments of £13.49m (2021: £9.84m). Since the 31 March 2022 trading performance continues to remain stable with actual performance approximating to Budget.

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.

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 2022 and signed on its behalf by:

Brian M Walsh

Brian Walsh

Chair – Alternative Futures Group
20 December 2022

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 2022 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 2022 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 Report of the Trustees 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 24, 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.

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 Report of the Trustees,
- 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: 21 December 2022

Alternative Futures Group Limited
Consolidated Statement of Financial Activities (including Consolidated Income & Expenditure Account)
For the year ended 31 March 2022

	Note	Unrestricted funds £000	Restricted funds £000	Total 2022 £000	Unrestricted funds (as restated) £000	Restricted funds £000	Total 2021 (as restated) £000
Income							
Charitable activities	2	60,099	-	60,099	59,157	-	59,157
Investments	3	91	-	91	91	-	91
Government Grants	4	1,164	-	1,164	704	-	704
Total income		61,354	-	61,354	59,952	-	59,952
Expenditure on:							
Charitable activities (including exceptional cost amounting to £123,000 (2021: £447,000))	5 & 6	59,600	23	59,623	59,435	23	59,458
Raising funds		-	-	-	40	-	40
Total expenditure		59,600	23	59,623	59,475	23	59,498
Net gain on investments	14	170	-	170	741	-	741
Net Income		1,924	(23)	1,901	1,218	(23)	1,195
Gross Transfers between Funds		-	-	-	334	(334)	-
Net income before other recognised gains and losses		1,924	(23)	1,901	1,552	(357)	1,195
Other recognised Gains / (losses)							
Actuarial gain/(loss) on defined benefit pension scheme	22	154	-	154	(185)	-	(185)
Total other recognised gains / (losses)		154	-	154	(185)	-	(185)
Net movement in funds		2,078	(23)	2,055	1,367	(357)	1,010
Reconciliation of funds							
Total funds brought forward as restated	1	23,818	1,185	25,003	22,451	1,542	23,993
Total funds carried forward	18	25,896	1,162	27,058	23,818	1,185	25,003

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 2022

Company No: 02679915
Charity No: 1008587

	Note	2022 £000	£000	2021 (as restated) £000	£000
Fixed assets					
Intangible assets	11		913		1,326
Tangible assets	12		9,344		11,174
Investments	14		13,492		9,844
			<u>23,749</u>		<u>22,344</u>
Current assets					
Debtors	15	5,397		4,482	
Cash in hand and at bank		<u>4,839</u>		<u>4,909</u>	
		10,236		9,391	
Current liabilities					
Creditors: amounts falling due within one year	16	<u>(7,257)</u>		<u>(6,931)</u>	
Net current assets			<u>2,979</u>		<u>2,460</u>
Total assets less current liabilities			<u>26,728</u>		<u>24,804</u>
Defined benefit pension scheme asset	22		330		199
Total net assets			<u>27,058</u>		<u>25,003</u>
Funds:					
Unrestricted funds	18		25,896		23,818
Restricted funds	18		<u>1,162</u>		<u>1,185</u>
			<u>27,058</u>		<u>25,003</u>

The financial statements were approved and authorised for issue by the Board of Trustees on 20 December 2022, and signed on their behalf by:

Brian M Walsh

Brian Walsh – Chair

	Note	2022 £000	2021 (as restated) £000
Fixed assets			
Intangible assets	11	913	1,326
Tangible assets	12	9,344	11,174
Investments in subsidiary	13	-	-
Investments	14	13,492	9,844
		23,749	22,344
Current assets			
Debtors	15	5,397	4,557
Cash in hand		4,839	4,898
		10,236	9,455
Creditors: amounts falling due within one year	16	(7,191)	(6,887)
Net current assets		3,045	2,568
Total assets less current liabilities		26,794	24,912
Defined benefit pension scheme asset	22	330	199
Total net assets		27,124	25,111
Funds:			
Unrestricted funds	18	25,962	23,926
Restricted funds	18	1,162	1,185
		27,124	25,111

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 £1,859,000 (2021 as restated: £1,094,000).

The financial statements were approved and authorised for issue by the Board of Trustees on 20 December 2022, and signed on their behalf by:

Brian M Walsh

Brian Walsh – Chair

Alternative Futures Group Limited
Consolidated Statement of Cash Flows
For the year ended 31 March 2022

	Notes	2022 £000	2021 £000
Cash flows generated from operating activities	19	2,441	4,868
Investing activities			
Purchase of fixed assets		(1,003)	(479)
Proceeds from sale of fixed assets		1,970	5,258
Purchase of investments		(4,037)	(5,550)
Proceeds from sale of investments		559	257
Net cash (used in) investing activities		<u>(2,511)</u>	<u>(514)</u>
Financing activities			
Repayments of bank loans		-	(3,001)
Net cash (used in) financing activities		<u>-</u>	<u>(3,001)</u>
Net (decrease)/increase in cash and cash equivalents		(70)	1,353
Cash and cash equivalents at beginning of year		<u>4,909</u>	<u>3,556</u>
Cash and cash equivalents at end of year		<u><u>4,839</u></u>	<u><u>4,909</u></u>
Relating to			
Cash at bank and in hand		<u><u>4,839</u></u>	<u><u>4,909</u></u>

Analysis of changes in net debt

	At 1 April 2021 £000	Cashflows £000	At 31 March 2022 £000
Cash and cash equivalents			
Cash	4,909	(70)	4,839
Overdrafts	-	-	-
Total	4,909	(70)	4,839

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: Exchange Station, Tithebarn Street, Liverpool, England, L2 2QP.

The company and the group's principal activities are stated in The Report of the Trustees on page 7.

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.

As observed in the prior year financial statements, the Charity has navigated its way through the Covid-19 pandemic extremely well. Notwithstanding this point there remains a level of uncertainty re. what challenges the pandemic may bring to both the sector and the wider economy in the future.

In the short run, the Covid-19 pandemic and the "cost of living" crisis has brought significant work-force challenges to the sector, with both retention and recruitment of staff becoming very real issues. Given these challenges, the Charity continues to invest in pay with a budget deficit being set for the 2022/23 financial year, which will be funded through the reserves of the Charity. As we look forward, the organisation will continue to look for opportunities to optimise its position in the sector.

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 2022 the Charity reported a cash balance of £4.84m (2021: £4.90m) and liquid investments of £13.49m (2021: £9.84m). Since 31 March 2022, trading performance continues to remain stable with actual performance approximating to Budget.

ACCOUNTING POLICIES (CONTINUED)

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.

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 2022.

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 Covid Infection Control Monies (2021: 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.

ACCOUNTING POLICIES (CONTINUED)

Support costs

Support costs include both central and governance 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.

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, 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.

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

ACCOUNTING POLICIES (CONTINUED)

Retirement Benefits - Pension Schemes cont

- 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 Statement of Financial Activities 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 Statement of Financial Activities 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:

- Given the ageing of the trade debtors 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.

1 PRIOR PERIOD ADJUSTMENT

In prior years, net defined benefit pension surpluses in respect of AFG's participation in two Local Government pension schemes have not been recognised on the balance sheet as it was understood that AFG would be unable to recover the surplus either through reduced future contributions or refunds. AFG has revisited this conclusion in light of the materiality of the current year surplus and after a detailed review of the scheme rules has determined that surpluses can indeed be recovered on the basis of reduced future contributions and accordingly a surplus can be recognised on the balance sheet.

The comparative figures have been restated in order to include the surplus existing at 2021 and reflect the movements in the surplus during that year. The impact on each of the line items affected is set out below. The impact affected unrestricted funds only, and there was no impact on Net income before other recognised gains and losses.

Group

Reconciliation of changes in funds

	1 April 2020	31 March 2021
	£000	£000
Funds as previously reported	<u>23,594</u>	<u>24,804</u>
Adjustments to prior year		
Recognition of pension scheme asset	399	199
	<u>23,993</u>	<u>25,003</u>
Funds as restated		

Reconciliation of changes in consolidated Statement of Financial Activities

	As previously reported £000	Adjustment £000	31 March 2021 as restated £000
Other recognised gains and losses	15	(200)	(185)
Net movement in funds restated	1,210	<u>(200)</u>	<u>1,010</u>

1 PRIOR PERIOD ADJUSTMENT (continued)

Company

Reconciliation of changes in funds

	1 April 2020 £000	31 March 2021 £000
Funds as previously reported	<u>23,803</u>	<u>24,912</u>
Adjustments to prior year		
Recognition of pension scheme asset	399	199
	<u>24,202</u>	<u>25,111</u>
Funds as adjusted		

2 CHARITABLE ACTIVITIES INCOME

	2022 £000	2021 £000
Supported living services	49,984	48,135
Independent Hospitals	<u>10,115</u>	<u>11,022</u>
	<u>60,099</u>	<u>59,157</u>

All income in the current and prior year was unrestricted.

3 INVESTMENT INCOME

	2022 £000	2021 £000
Dividends – UK equity	30	38
Dividends – Overseas equities	24	15
Dividends – other	13	14
Interest – UK fixed interest securities	18	24
Interest on cash deposits	<u>6</u>	<u>-</u>
	<u>91</u>	<u>91</u>

All current and prior year income was unrestricted.

4 GOVERNMENT AND LOCAL AUTHORITY GRANTS

	2022 £000	2021 £000
Coronavirus Job Retention Scheme	52	635
Infection Control income from Local Authorities	1,112	69
	<u>1,164</u>	<u>704</u>

All income in the current and prior year was unrestricted.

5 ANALYSIS OF EXPENDITURE ON CHARITABLE ACTIVITIES

	Direct staff costs £000	Direct non-staff costs £000	Operational Service Support costs £000	Corporate Support costs £000	2022 £000	2021 £000
Provision of support and care						
Supported living	42,802	452	1,782	5,787	50,823	49,992
Independent Hospitals	3,854	3,202	407	1,316	8,779	9,458
Adult Care Homes	21	-	-	-	21	-
Adult Care Homes with Nursing	-	-	-	-	-	8
Total charitable activities	<u>46,677</u>	<u>3,654</u>	<u>2,189</u>	<u>7,103</u>	<u>59,623</u>	<u>59,458</u>

	Unrestricted £000	Restricted £000	2022 £000	Unrestricted £000	Restricted £000	2021 £000
Provision of support and care						
Supported living	50,823	-	50,823	49,992	-	49,992
Independent Hospitals	8,756	23	8,779	9,435	23	9,458
Adult Care Homes	21	-	21	-	-	-
Adult Care Homes with Nursing	-	-	-	8	-	8
Total charitable activities	<u>59,600</u>	<u>23</u>	<u>59,623</u>	<u>59,435</u>	<u>23</u>	<u>59,458</u>

6 EXCEPTIONAL ITEMS

	2022 £000	2021 £000
Loss/(Profit) on the Sale of Assets	23	(1,088)
Impairment of properties within Tangible Assets	-	1,532
Staff Costs, including redundancy, taxes and pensions	100	3
	<u>123</u>	<u>447</u>

On 13 August 2021 the Charity disposed of its former Head Office Lion Court, generating a small loss on disposal of £23k.

7 ANALYSIS OF GOVERNANCE AND SUPPORT COSTS

	2022 £000	2021 £000
OPERATIONAL SERVICE SUPPORT COSTS		
Operational Support / CQC Registered Addresses / Regional Offices	56	80
Operational Management / Workforce Planning / Rostering	531	703
Operational Services ICT Infrastructure	526	619
Operational Services Learning & Development Costs	778	595
Operational Services Quality Support Costs	298	272
	<u>2,189</u>	<u>2,269</u>

	2022 £000	2021 £000
CORPORATE SUPPORT COSTS		
Financial, Transaction & Reporting, Banking & Audit Costs	1,213	829
HR & Recruitment Costs	1,618	1,216
ICT, Software Licencing, Depreciation and Support Desk	1,994	1,624
Insurance Costs	710	642
Governance & Administration	690	665
Risk & Assurance	14	56
Premises Running Costs	214	636
Legal Fees	95	111
Chief Executive Department	555	281
	<u>7,103</u>	<u>6,060</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 £39,082 (2021: £55,836) and external audit fees of £112,882 (2021: £77,850), Trustee development £Nil (2021: £Nil). Trustee indemnity insurance £Nil (2021: £Nil) is not individually identified, but contained within the overall Social Care Insurance Premium.

Staff costs included within support costs amount to £5,562,661 (2021: £4,743,284).

8 NET INCOME FOR THE YEAR

This is stated after charging:

	2022 £000	2021 £000
Operating lease rentals	179	200
Depreciation and amortisation:		
Intangible fixed assets, owned (see note 11)	73	123
Tangible fixed assets, owned (see note 12)	712	737
Bank interest payable on bank loan	-	35
Auditor's remuneration:		
- audit fees	74	78
- accountancy fees	7	-
	<u>7</u>	<u>-</u>

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

Staff costs during the year were as follows:

	2022	2021
Group	£000	£000
Wages and salaries	47,375	47,280
Social security costs	3,508	3,374
Employer pension costs – operating cost in respect of DB Schemes	39	31
Employer pension costs – costs of contributions paid to DC schemes	1,181	1,273
Redundancy payments	<u>100</u>	<u>3</u>
	<u>52,203</u>	<u>51,961</u>
	2022	2021
Company	£000	£000
Wages and salaries	47,375	47,280
Social security costs	3,508	3,374
Employer pension costs – operating cost in respect of DB Schemes	39	31
Employer pension costs – costs of contributions paid to DC schemes	1,181	1,273
Redundancy payments	<u>100</u>	<u>3</u>
	<u>52,203</u>	<u>51,961</u>

During the year the organisation commenced a review of both its senior management and operational management, with a provision of £0.1m established in this regard, which is held within other creditors.

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

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

	Number of employees	
	2022	2021
£60,001 to £70,000	2	1
£100,001 to £110,000	-	2
£110,001 to £120,000	3	2
£120,001 to £130,000	1	-
£150,001 to £160,000	-	1
£160,001 to £170,000	1	-
	<u>7</u>	<u>6</u>

The key management personnel of the charity comprise the executive team, but does not include the Chair. Total cost to the charity for employee benefits of the key management personnel of the Group was £759,270 (2021: £767,130).

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

	2022 £000	2021 £000
Pension contributions to money purchase schemes	908	971
Pension contributions to defined benefit schemes	273	302
	<u>1,181</u>	<u>1,273</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	
	2022	2021
Money Purchase Schemes	1,435	1,595
Defined Benefit Schemes	<u>68</u>	<u>77</u>
	<u>1,503</u>	<u>1,672</u>

During the year four higher paid employees (2021: five) participated in a money purchase pension scheme. Employer contributions for the higher paid employees were £58,651 (2021: £56,807).

One of the higher paid employees (2021: one) does not participate in a pension scheme.

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

The Chair of the Board of Trustees, Chris Hannah, received remuneration in the year of £8,750 (2021: £15,000), Chris Hannah resigned 31 October 2021 with Brian Walsh being appointed as the new Chair 1 November 2021. Brian Walsh received remuneration in the year of £6,250 (2021: £Nil), 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 (2021: £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. One Trustee (2021: Nil) received £66 reimbursement for travelling expenses in the current year (2021: £Nil).

10 STAFF NUMBERS

Group

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

	No of employees	
	2022	2021
Management and Operational Care and Support Staff	1,752	1,878
Governance and administration of the charity	10	10
	<u>1,762</u>	<u>1,888</u>

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

	No of employees	
	2022	2021
Management and Operational Care and Support Staff	1,542	1,653
Governance and administration of the charity	10	10
	<u>1,552</u>	<u>1,663</u>

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

11 INTANGIBLE ASSETS
Group and Company

	Capitalised development costs £000	Software £000	Goodwill £000	Total £000
Cost				
As at 1 April 2021	221	1,523	1,300	3,044
Additions	<u>128</u>	<u>-</u>	<u>-</u>	<u>128</u>
As at 31 March 2022	<u>349</u>	<u>1,523</u>	<u>1,300</u>	<u>3,172</u>
Amortisation				
As at 1 April 2021	-	418	1,300	1,718
Provided in the year	<u>-</u>	<u>541</u>	<u>-</u>	<u>541</u>
As at 31 March 2022	<u>-</u>	<u>959</u>	<u>1,300</u>	<u>2,259</u>
Net book amount at 31 March 2022	<u>349</u>	<u>564</u>	<u>-</u>	<u>913</u>
Net book amount at 31 March 2021	<u>221</u>	<u>1,105</u>	<u>-</u>	<u>1,326</u>

Included within the value of amortisation provided in the year is £468,000 (2021: £Nil) which has been previously recognised as an expense but incorrectly allocated to accruals. This is a cumulative value and is corrected in the current year.

Capitalised development costs relate to the development of the new Finance & Procurement system (expected to go live during 2022/23 financial year), and the new Care Management system (expected to go live 2024/25 financial year). Amortisation relating to these assets will only be charged when they are available for use.

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

12 TANGIBLE FIXED ASSETS
Group and Company

	Freehold land and buildings £000	Furniture and equipment £000	Total £000
Cost			
As at 1 April 2021	16,567	5,903	22,470
Additions	340	535	875
Disposals at Cost	<u>(4,525)</u>	<u>(444)</u>	<u>(4,969)</u>
As at 31 March 2022	<u>12,382</u>	<u>5,994</u>	<u>18,376</u>
Depreciation and Impairment			
As at 1 April 2021	6,772	4,524	11,296
Disposals at Cost	(2,543)	(433)	(2,976)
Provided in the year	<u>455</u>	<u>257</u>	<u>712</u>
As at 31 March 2022	<u>4,684</u>	<u>4,348</u>	<u>9,032</u>
Net book amount at 31 March 2022	<u>7,698</u>	<u>1,646</u>	<u>9,344</u>
Net book amount at 31 March 2021	<u>9,795</u>	<u>1,379</u>	<u>11,174</u>

The cost of land held within freehold land and buildings amounts to £2,394,307 (2021: £3,275,557) and is not depreciated.

Included within freehold land and buildings above are no properties (2021: one property) under long leasehold of net book value £Nil (2021: £1,203,484).

During the year, the Charity completed the disposal of Lion Court, its previous head office.

13 INVESTMENTS IN SUBSIDIARY

Company	Registered office	Principal activity	Shares held Class	%
Red Hazels Developments Limited (Company number 09498298)	Exchange Station, Tithebarn Street, Liverpool, England, L2 2QP	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.

The Directors of the parent company Alternative Futures Group Limited have made a decision to strike off at Companies House, Red Hazels Developments Limited, this activity has not yet been completed.

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

	2022 £000	2021 £000
Turnover	-	-
Expenditure, including Interest paid and received	5	4
(Loss)/Profit for the financial year	(5)	-
Total Assets	-	12
Total Liabilities	(113)	(120)
Equity at end of year	(113)	(108)

14 FIXED ASSET INVESTMENTS

Movement in fixed assets investments

	Group		Company	
	2022 £000	2021 £000	2022 £000	2021 £000
Fixed asset investments held for return:				
Listed investments	<u>13,492</u>	<u>9,844</u>	<u>13,492</u>	<u>9,844</u>
	<u>13,492</u>	<u>9,844</u>	<u>13,492</u>	<u>9,844</u>
	Group		Company	
	2022 £000	2021 £000	2022 £000	2021 £000
Listed investments				
Fair value brought forward	9,844	3,810	9,844	3,810
Additions to investments at cost	1,537	5,550	1,537	5,550
Cash in transit	2,500	-	2,500	-
Disposal at carrying value	(559)	(257)	(559)	(257)
Changes in fair value	<u>170</u>	<u>741</u>	<u>170</u>	<u>741</u>
Fair value carried forward	<u>13,492</u>	<u>9,844</u>	<u>13,492</u>	<u>9,844</u>
Historical cost at 31 March	10,035	8,849	10,035	8,849

14 FIXED ASSET INVESTMENTS (CONTINUED)

Listed investments at fair value comprised:

	Group		Company	
	2022	2021	2022	2021
	£000	£000	£000	£000
Equities – UK	1,038	1,472	1,488	1,472
Equities – Overseas	2,440	1,856	1,990	1,856
Fixed interest securities – UK	1,104	1,214	1,104	1,214
Property – UK	223	202	223	202
Cash held for investment	8,687	5,100	8,687	5,100
	<u>13,492</u>	<u>9,844</u>	<u>13,492</u>	<u>9,844</u>
Fair value carried forward	<u>13,492</u>	<u>9,844</u>	<u>13,492</u>	<u>9,844</u>

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

	2022	2021
	£'000	£'000
iShares Index Linked	496	474
Rathbone Ethical Bond	299	324
Troy Trojan	583	472
Baillie Gifford International	419	439
Evenlode Income	338	317
Artemis Income	366	345
M&G Charifund	334	312
Hermes Emerging Markets	294	338
Sarasin Global Higher Dividend	-	290
JPM Global Growth and Income	254	-
BNY Mellon Global Income	255	-
iShares MSCI World ETF	251	-

15 DEBTORS

	Group		Company	
	2022	2021	2022	2021
	£000	£000	£000	£000
Trade debtors	2,934	2,815	2,934	2,815
Amounts owed from group	-	-	-	75
Prepayments	793	58	793	58
Accrued income	1,656	1,599	1,656	1,599
Other	14	10	14	10
	<u>5,397</u>	<u>4,482</u>	<u>5,397</u>	<u>4,557</u>

Trade debtors are stated after a credit note provision of £1,640,000 (2021: £1,640,000).

16 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2022	2021	2022	2021
	£000	£000	£000	£000
Trade creditors	1,673	1,434	1,673	1,434
Accruals and deferred income	4,114	3,616	4,048	3,572
Social security and other taxes	840	1,317	840	1,317
Other creditors	630	564	630	564
	<u>7,257</u>	<u>6,931</u>	<u>7,191</u>	<u>6,887</u>

Included in other creditors is an amount of £179,637 (2021: £189,159) due to pension schemes which was paid subsequent to the year end.

Deferred Income at the end of the year was £1,185,469 (2021: £1,548,274) of which £58,590 (2021: £324,565) related to timing of invoices raised around year-end, £150,000 (2021: £656,585) related to Covid Infection control support, and the other £976,879 (2021: £567,124) 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 £2,182,243 (2021: £1,355,320) and amounts released from prior year was £1,819,439 (2021: £473,370) .

17 FINANCIAL INSTRUMENTS

	2022	2021
	£000	£000
Financial assets:		
Instruments measured at fair value through profit or loss	<u>13,492</u>	<u>9,844</u>

18 MOVEMENT IN FUNDS

GROUP

	At 1 April 2021 (as restated)	Income	Expenditure	Gain on investment assets	Gross Transfer between Funds	Pension	At 31 March 2022
	£000	£000	£000	£000	£000	£000	£000
Unrestricted funds:							
Unrestricted funds	23,818	61,354	(59,600)	170	-	154	25,896
Restricted funds: gifted properties	<u>1,185</u>	<u>-</u>	<u>(23)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,162</u>
Total funds	<u>25,003</u>	<u>61,354</u>	<u>(59,623)</u>	<u>170</u>	<u>-</u>	<u>154</u>	<u>27,058</u>

COMPANY

	At 1 April 2021 (as restated)	Income	Expenditure	Gain on investment assets	Gross Transfer between Funds	Pension	At 31 March 2022
	£000	£000	£000	£000	£000	£000	£000
Unrestricted funds:							
Unrestricted funds	23,926	61,354	(59,642)	170	-	154	25,962
Restricted funds: gifted properties	<u>1,185</u>	<u>-</u>	<u>(23)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,162</u>
Total funds	<u>25,111</u>	<u>61,354</u>	<u>(59,665)</u>	<u>170</u>	<u>-</u>	<u>154</u>	<u>27,124</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 2020 (as restated)	Income	Expenditure	Gain on investment assets	Gross Transfer between Funds	Pension (as restated)	At 31 March 2021 (as restated)
	£000	£000	£000	£000	£000	£000	£000
Unrestricted funds:							
Unrestricted funds	22,451	59,952	(59,475)	741	334	(185)	23,993
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>23,993</u>	<u>59,952</u>	<u>(59,498)</u>	<u>741</u>	<u>0</u>	<u>(185)</u>	<u>25,003</u>

COMPANY

	At 1 April 2020 (as restated)	Income	Expenditure	Gain on investment assets	Gross Transfer between Funds	Pension (as restated)	At 31 March 2021 (as restated)
	£000	£000	£000	£000	£000	£000	£000
Unrestricted funds:							
Unrestricted funds	22,660	59,952	(59,576)	741	334	(185)	23,926
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>24,202</u>	<u>59,952</u>	<u>(59,599)</u>	<u>741</u>	<u>0</u>	<u>(185)</u>	<u>25,111</u>

19 ANALYSIS OF NET ASSETS BETWEEN FUNDS

Fund balances at 31 March 2022 are represented by:

GROUP	Unrestricted funds £000	Restricted funds £000	2022 £000
Intangible fixed assets	913	-	913
Tangible fixed assets	8,182	1,162	9,344
Investments	13,492	-	13,492
Current assets	10,236	-	10,236
Current liabilities	(7,257)	-	(7,257)
Pension	330	-	330
Net assets	<u>25,896</u>	<u>1,162</u>	<u>27,058</u>

COMPANY	Unrestricted funds £000	Restricted funds £000	2022 £000
Intangible fixed assets	913	-	913
Tangible fixed assets	8,182	1,162	9,344
Investments	13,492	-	13,492
Current assets	10,236	-	10,236
Current liabilities	(7,191)	-	(7,191)
Pension	330	-	330
Net assets	<u>25,962</u>	<u>1,162</u>	<u>27,124</u>

19 ANALYSIS OF NET ASSETS BETWEEN FUNDS (CONTINUED)

Fund balances at 31 March 2021 are represented by:

GROUP	Unrestricted funds (as restated) £000	Restricted funds £000	2021 (as restated) £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)
Pension	199	-	199
Net assets	<u>23,818</u>	<u>1,185</u>	<u>25,003</u>

COMPANY	Unrestricted funds (as restated) £000	Restricted funds £000	2021 (as restated) £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)
Pension	199	-	199
Net assets	<u>23,926</u>	<u>1,185</u>	<u>25,111</u>

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

	2022 £000	2021 £000
Net Income	<u>1,901</u>	<u>1,195</u>
Adjustments for:		
Loss/(Profit) on disposal of tangible assets	23	(1,088)
Gains on investments	(170)	(741)
Amortisation charges	73	123
Depreciation charges	712	737
DB Scheme costs less contributions payable	38	41
DB Scheme net finance income	(15)	(26)
Movement on Doubtful Debt Provision	-	200
Impairment of Tangible Fixed Assets	<u>-</u>	<u>1,532</u>
	2,562	1,973
Movements in working capital:		
Decrease in stock	-	8
(Increase) /decrease in debtors	(915)	981
Increase in creditors	<u>794</u>	<u>1,906</u>
Net cash generated by operating activities	<u>2,441</u>	<u>4,868</u>

21 CAPITAL COMMITMENTS

The charity had total capital commitments of £Nil at 31 March 2022 (2021: £88,160). Capital commitments in respect of intangible assets were £Nil (2021: £Nil). Capital commitments in respect of tangible assets were £Nil (2021: £88,160).

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 2021 to 31 March 2022 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 2022 are based on the last full actuarial valuations as at 31 March 2019 and updated to 31 March 2022, and include the pension schemes in aggregate.

Overall assumptions:

	Total of pension schemes 2022 %	Total of pension schemes 2021 %
Key assumptions used:		
Discount rate	2.8	2.1
Expected return on plan assets	11.9	15.7
Equities	11.9	15.7
Bonds	11.9	15.7
Property	11.9	15.7
Cash other	11.9	15.7
Rate of inflation	3.3	2.8
Expected rate of salary increases	4.4	3.9
Future pension increases	3.4	2.8

22 RETIREMENT BENEFITS (CONTINUED)

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

	Total of pension schemes 2022 Years	Total of pension schemes 2021 Years
Male	21.3	21.5
Female	24.1	24.2

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

	Total of pension schemes 2022 Years	Total of pension schemes 2021 Years
Male	22.7	22.9
Female	26.0	26.1

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 2022 £000	Total of pension schemes 2021 £000
Current service cost	47	49
Interest cost	142	136
Interest income	(157)	(162)
Administration costs	-	1
	<u>32</u>	<u>24</u>

Actuarial gains and losses are reported in the statement of financial activities. The gain recognised in 2022 was £154,000 (2021 as restated: £185,000 loss).

The actual return on scheme assets was £831,000 (2021: £583,000) for Lancashire County Pension Fund and £220,000 (2021: £380,000) 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 2022 £000	Total 2021 (as restated) £000
Fair value of scheme assets	8,546	7,643
Present value of defined benefit obligations	<u>(6,836)</u>	<u>(6,942)</u>
Asset in scheme	1,710	701
Limit on asset in Greater Manchester scheme	(137)	(-)
Limit on asset in Lancashire scheme	<u>(1,243)</u>	<u>(502)</u>
Recognised in balance sheet	<u>330</u>	<u>199</u>

The asset recognised in the balance sheet has been limited to the lower of the FRS102 valuation, and the actuarial valuation of future service costs

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

	Total 2022 £000	Total 2021 £000
At start of period	6,942	5,867
Current service cost	47	49
Past service cost	-	-
Interest cost	142	136
Actuarial (gains) and losses	(161)	1,033
Contributions by plan participants	7	9
Benefits paid	<u>(141)</u>	<u>(152)</u>
At the end of the period	<u>6,836</u>	<u>6,942</u>

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

	Total 2022 £000	Total 2021 £000
At start of period	7,643	6,881
Interest income	157	162
Administrative expenses	-	(1)
Return on plan assets less amounts included in net interest	871	735
Employer contributions	9	9
Members contributions	7	9
Benefits paid	<u>(141)</u>	<u>(152)</u>
At the end of the period	<u>8,546</u>	<u>7,643</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 2022 £000	Total of pension schemes Fair value assets 2021 £000
Equity Instruments	6	2,751
Government bonds	53	-
Property	105	833
Cash / liquidity	165	129
Other assets	6,256	2,152
	<u>6,585</u>	<u>5,865</u>

Greater Manchester Pension Fund:

	Total of pension schemes Fair value assets 2022 £000	Total of pension schemes Fair value assets 2021 £000
Equity Instruments	1,314	1,280
Government bonds	294	213
Property	157	125
Cash / liquidity	196	160
	<u>1,961</u>	<u>1,778</u>

The estimated amounts of contributions expected to be paid to the schemes during the financial period ending 31 March 2022 are £Nil (2021: £Nil) in respect of Lancashire County Pension Fund and £9,000 (2021: £9,000) 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	
	2022 £000	2021 £000	2022 £000	2021 £000
Within one year	88	57	88	57
Between two and five years	126	14	126	14
	<u>214</u>	<u>71</u>	<u>214</u>	<u>71</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 2022, the company had 10 members (2021: 10).

26 CONTINGENT LIABILITIES

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 £199k.

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 9, and transactions with the subsidiary Red Hazels Developments Limited disclosed below:

	2022 £	2021 £
Monies transferred to Red Hazels to pay creditors	-	89,493
Amounts discharged by AFG	(30)	(14,113)
Amounts owed from Red Hazels at 31 March	<u>67,285</u>	<u>75,380</u>

During the year, the bank account of Red Hazels Developments Limited was closed and an amount of £8,095 (2021: £Nil) was transferred to Alternative Futures Group Limited.