



# **ANNUAL REPORT & FINANCIAL STATEMENTS**

**FOR THE YEAR ENDING  
31 MARCH 2023**

**Alternative Futures Group Limited**  
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**For the year ended 31 March 2023**

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**Alternative Futures Group Limited**  
**Chair's Statement**  
**For the year ended 31 March 2023**

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This has been my second year as Chair of Alternative Futures Group Limited (AFG) which has been both an incredibly challenging year for the organisation, but also a tremendously exciting, productive and rewarding one.

We commenced 2022/23 with a number of significant (post-COVID) economic and political challenges both home and abroad. The most significant being the financial challenges of rapidly rising inflation and a cost of living crisis, but added to this was significant workforce pressures for health and social care as a result of post-pandemic workforce demands and Brexit policy.

In early 2022, the whole social care sector was struggling with a vacancy rate in excess of 165,000 positions which for AFG converted to about 18.5% of front line vacancies for the organisation. Our agency bill for temporary staff quadrupled in less than 6 months.

To add to this, commissioner funding remained at record low levels, not enabling us to compete on pay in the market for workforce as other sectors such as transport, retail and hospitality began to increase pay to attract workers away from social care in an already shrunken labour market.

In April 2023, the Government increased National Living Wage (NLW) by 9.7% to £10.42 per hour. This was one of the largest annual increases on record, however, it failed to recognise the current inflationary and cost of living pressures staff were under, as well as the rising costs of care provision for providers.

In response to such challenges, I am proud to say our Board acted quickly and decisively and invested a significant amount of the charity's reserves to improve front line pay to Real Living Wage (RLW) levels at £9.90 per hour and increased overtime to £10 per hour. Furthermore, we invested significantly in our recruitment team and recruitment activity in an attempt to attract new and returning workers into the sector. Both of these investments were and remain key in retaining and attracting staff, not to mention give a significant boost in staff morale as our pay increase gave them reassuring financial support through the commencement of the cost of living crisis.

Our Local Authority social care commissioners once again responded disappointingly with their provider rate increases for 2022/23, with most below the National Minimum Wage (NMW) 6.6% increase. One or two commissioners recognised the workforce issues faced by providers and provided an increased rate to support a Real Living Wage (RLW), but the majority gave below the NMW increase. Even of those that did provide RLW increases not all of them reached the actual levels required to afford the charity to pay staff RLW. Nonetheless, the increased rates were welcome to offset the increased pay subsidisation the Board had put in to improve workforce pay to RLW.

In our NHS commissioners, organisational confusion ensued as the legacy Clinical Commissioning Groups (CCGs) disbanded and the new Integrated Care Systems (ICS) Boards were formed. This organisational change led to us failing to agree an increase in our hospital bed rates with commissioners for over 12 months. This caused significant cash flow challenges, which we were again able to mitigate with our reserves. I am pleased to say that following an initial stand-off in our request for inflation-matching increases, our commissioners eventually agreed to provide increases that recognised the significant increase in both pay and non-pay costs for our hospital services.

During all these challenges, the Board and I remained extremely disappointed that the Government again did not provide the leadership and funding required to give the sector the support and investment it badly needed. Despite all the rhetoric of importance, priority, and needing to invest in health and social care, the Government again failed to respond with any substantial short or long term investment solution. The Fair Cost of Care exercise was delayed for a year and the limited emergency monies made available were prioritised to the elderly Care Home/Domiciliary Care sector to support the NHS bed and backlog crisis. No additional funding was granted to other social care sectors including Supported Living, and certainly if anything was, it did not flow through to providers to support services and staff pay.

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We note the fact that during the 12 months of this period, the sector has also endured 3 separate health and social care ministers. Constant change in ministers has provided no continuity in policy making to translate rhetoric into reality with regards to appropriate funding for social care. Yet staff working in the sector continue to remain immensely loyal and committed in what they do, and especially those providing front line care and support, who continue to deserve immense credit and gratitude for their incredible resilience, hard work and dedication. The Board of AFG however does recognise this and we remain immensely grateful and appreciative to all our hard working staff, their commitment to the organisation and its purpose, and the fabulous work they do.

Nonetheless, and in spite of the Government's failures, I am proud that AFG took the decisive investment steps to support our staff as best as we could afford, and importantly maintain the safety and continuity of our services for the people we support. During 2022/23 we have seen gradual and continued improvements in our workforce attraction and retention above that of our competitors and indeed the overall market. I am pleased to report our investment and initiatives have been incredibly successful in reducing our vacancies to below 10% by the end of the period, a fantastic achievement. Our work is not done here, and we continue to navigate the ongoing challenges of not only workforce, but also pay and inflation in a continuing and severely under-funded sector.

On an exciting note, I am delighted to report that the charity reported a third successive year of positive surplus for the year ending 2023. This is a fantastic performance from the Senior Leadership Team in such challenging times and a justification to the difficult cost efficiency decisions we have had to make in recent years. It is also great credit to the work of my Board colleagues, CEO and Chief Officers for delivering a key financial objective significantly ahead of our planned target.

I am pleased to report that AFG remains a strong, high-quality, well-respected, financially stable, and growing organisation. We have delivered a 2%+ surplus for the last 3 financial periods, grown our reserves and maintained our investment portfolio. We have a rigorous corporate and operational cost base following early completion of our turnaround plan, and we also have a highly effective and efficient operational management structure.

This year we delivered 85% of the objectives in our Annual Business Plan alongside achievement of all our core operational KPIs.

We continue to invest in our quality and safety, meaning all our services remain rated by Care Quality Commission (CQC) as good or outstanding. We have continued to make significant investments in our (wholly-owned) 6 independent hospitals, and next year we plan to make significant investments in the training and development of our leadership and management structures.

In the year, we have seen no changes to our excellent, highly respected Executive (C-suite) Team, and we have also invested in senior talent by introducing several new Functional Director roles to support our new strategic aims. During this period, we have also been establishing a relatively new Board with a number of new Trustees who I am delighted to say have settled in extremely well. The new Board will be critical for supporting the organisation through the next key strategic phase.

In 2023, AFG will embark on an exciting new strategic direction to grow the organisation and expand its reach and the number of people we support. We will continue to focus in the areas of our expertise supporting people with a Learning Disability, Autism or complex behavioural needs on behalf of our Local Authority commissioners. We will also look to further expand our Mental Health provision and our hospital base to support the evolving demands and needs of our ICB commissioners and the NHS.

We will continue to drive efficiencies and performance improvements where possible 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 leaders and influencers being part of the collaborative solution for the sector rather than a victim of the problems and challenges that we all face day to day.

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In summary, 2022/23 has been another incredibly tough year. However, we continue to perform well, make good decisions in how we lead the organisation, and rise to the external challenges we face. AFG remains a vibrant, innovative and fantastic organisation to be a part of. It continues to amaze me how our fantastic staff remain extremely positive, resilient and solution-focused to the challenges their work and sector continues to present.

The Board and I remain immensely grateful for all the incredible hard work and commitment of staff during a very unstable economic time. We continue to be proud and humbled by the ongoing stories of staff going the extra mile to help the people we support achieve their independence goals. You are amazing.

Looking ahead, I have no doubt that the organisation will be equipped to navigate its significant challenges and obstacles and continue its success. Myself and the Board will remain acutely focused on balancing 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 AFG provides 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, as well as to our Senior Leadership team at AFG for their excellent leadership and management of the organisation.

And finally, thank you to all my 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 Walsh**  
Chair of Alternative Futures Group Limited

**Alternative Futures Group Limited**  
**Trustees, Executive Officers, Company Information and Advisors**  
**For the year ended 31 March 2023**

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**Trustees:**

<b>Trustee</b>	<b>Position</b>	<b>Changes in the Year</b>	
Brian Walsh	Chair		
Janet Wilkinson	Chair of Trustee Appointments and Remuneration Committee		
Linda Whalley	Vice Chair		
Jane McDonald	Chair of Quality and Safety Committee		
Peter Fieldsend	Chair of Audit and Risk Committee		
Helen Bellairs	Chair of Finance and Performance Committee		
Alex Fox	Trustee		
John McLuckie	Trustee		
Beatrice Udeh	Trustee	Appointed	29.04.2022
Louise Marsden	Trustee	Appointed	29.04.2022
Michelle Wood	Trustee	Resigned	02.07.2022
Julie Chadwick	Trustee	Appointed	10.08.2022
Nicola Cook	Trustee	Resigned	02.08.2023

**Executive Officers:**

<b>Executive Officer</b>	<b>Position</b>	<b>Changes in the Year</b>	
Ian Pritchard	Chief Executive Officer		
Kirsty Muldoon / now Murphy	Chief People Officer & Chief Operating Officer of Learning Disability	Change of surname from Muldoon to Murphy	
Chris Stephens	Chief Financial Officer		
Christopher Hughes	Chief Quality Officer & Chief Operating Officer for Mental Health		
Andrew Kendall	Chief Commercial Officer		

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**Trustees, Executive Officers, Company Information and Advisors**  
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**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 One express, 1 George Leigh St Ancoats Manchester M4 5DL
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 2023**

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The Trustees of Alternative Futures Group Limited (AFG) present their report and audited financial statements for the year ended 31 March 2023. 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 (established 1992) 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 1,000 people.



<b>Our Vision:</b>	A world where people control their lives	
<b>Our Mission:</b>	Together with our people and partners we will unlock skills, gifts and talents to support everyone's right to choose and achieve their aspirations	
<b>Our Values:</b>	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 and behaviours that challenge; (2) adults with a mental health treatment and rehabilitation need.

For learning disabilities, autism, acquired brain injury, and behaviours that challenge, 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, strengths based care and positive behavioural support 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 and their families.

In the year to 31 March 2023, we introduced a number of new digital pilots into our service activity. One of the organisations strategic aims is to increase the opportunity for the people we support to access digital technology that will assist them in gaining greater independence, choice and control in their lives.

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During 2022/2023, all our residential and non-residential activity was funded through contracts with either Local Authorities or the NHS. AFG do not receive any funding to cover the costs of our core services or other activities via grants or donations. We are solely a trading charity.

**Public Benefit**

Alternative Futures Group is a Public Benefit Entity. In accordance with our objectives and activities for 2022/23, 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, Linda Whalley and Ian Pritchard. Linda Whalley was appointed during the year on 9 November 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.

# **Alternative Futures Group Limited**

## **Report of the Trustees and Strategic Report**

### **For the year ended 31 March 2023**

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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.
- 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 four times during the year and its work included gaining assurance on:

- all aspects of financial and operational performance, including monitoring performance against the Business Plan for the year.
- 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 four 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.
- Agreeing the Chair's honorarium

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.

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

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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 22, the return was 70% with an interaction rate of 75%. The engagement score had increased to 80% positive from 73% the previous year. As part of this survey we undertook our first Financial Wellbeing Survey. The headline result is that nearly three out of four employees (72%) run out of money regularly before pay day.

Other key findings included:

- 53% needing to borrow money or use credit cards to cover essential living expenses such as food and bills.
- 65% are concerned about their financial position.
- 61% are working overtime to top up their salary.
- 51% are unable to pay all their bills on time.
- 47% (nearly half) say that they will need to leave their role to secure better pay regularly before pay day.

The evidence gathered from our financial wellbeing survey provided greater richness in articulating the difficulties our staff were facing to juggle their personal finances with our commissioners. We used this evidence in our rate negotiations to highlight these challenges and push for sufficient funding for the continued payment of real living wage for staff.

### **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.

### **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.

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## **Social Impact & Value**

We have developed our approach to social value and we've included this approach in some of our recent successful tenders which require us to monitor the social value we deliver.

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.

	<b>31-Mar-23</b>	<b>31-Mar-22</b>
<b>Total energy usage (kWh)</b>	2,965,790.00	1,993,196.00
<b>Relating to:</b>		
<b>Gas (kWh)</b>	2,441,741.00	1,378,699.00
<b>Electricity (kWh)</b>	475,828.00	554,043.00
<b>Transport fuel (kWh)</b>	48,221.00	60,454.00
<b>Emissions:</b>		
<b>Gas (tCO<sub>2</sub>e)</b>	445.72	252.50
<b>fuel for transport (tCO<sub>2</sub>e)</b>	123.40	15.2
<b>Emissions from purchased electricity (tCO<sub>2</sub>e)</b>	92.00	129.2
<b>Intensity ratio</b>	0.28 tons per staff member	0.2 tons per staff member

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 continue to develop 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. We have seen the environmental benefit of this decision in both of the last two years, 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. Where relevant, the timing of these decisions will take account of the useful economic life of existing assets.

### **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 9. 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 with trustees have been reported.

### **Engaging with the People We Support**

The people we support are at the heart of everything we do at AFG. They 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 supports 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 continue to have great attendance and success with our annual VIP events and Fun Days which bring together the people we support, staff, commissioners and partners from across all our services.

We capture and celebrate our amazing 'Butterfly Moments' and stories. Those positive moments in life where someone we support has achieved something important in their day-to-day life or achieved a personal goal that now gives them greater independence. 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.

The Board and Senior Leaders engage regularly at our uMatter Walkabout visits. These are monthly events where Trustees, Executives and Senior Managers attend service visits to meet the people we support and ensure the organisation is meeting their needs.

We also have many of the people we support attend our regular monthly town hall broadcasts on what is happening within AFG. This last year we have begun (with consent) to host some of these broadcasts from services and the homes of the people we support.

### **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.

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Corporate Planning and Budgeting

The Business Plan and Budget processes are 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 for 2023/24 financial year was approved by the Board at the end of 2022/23 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 2022/23 provided both assurance and advisory support to the Trustees and the Executive team and has 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.

Engagement with suppliers, customers and others in a business relationship

Included within the strategic report on pages 19-20 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 2022/23 (year 3 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 for a third year and delivering a surplus.

We continue to grow modestly as an organisation with a number of new services commencing across our footprint both in Learning Disability and Mental Health. We delivered our full year target for Butterfly Moments, with significant progress made on incorporating digital technology into the lives of the people we support.

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. We launched our digital tech lending library so the people we support can match their needs against validated technology and try it out.

We were delighted to build our employee engagement scores and return rates. Our third all digital survey recorded a 75% return rate (previous year = 53%) and an EES (Employee engagement survey) score of 80% (previous year = 73%). A fantastic return rate and overall score.

Following a number of new Registered Manager registrations and routine inspections, we 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 £4.3m (2022: £1.9m), including Investment Income of £0.2m (2022: £0.1m) and Investment Realised/Unrealised loss of £0.2m (2022: £0.2m gain);
- The increase in the Debtors figure from £5.4m to £8.3m is attributable to the implementation of a new financial system resulting in the slow-down of cash collection processes over the year-end. The post year-end period has seen an improvement in this position.
- Red Hazels Developments Limited reported a deficit of £1k (2022: £5k);
- Overall, the funds of the Group amount to £31.1m (2022: £27.1m)

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

#### *Operating performance*

The Group's Net Income of £4.3m (2022: £1.9m) for the year is 6.5% (2022: 3.0%) of income. The Charitable Income of the Charity of £65.2m (2022: £60.1m) reflects the increase in commissioner rates driven by National Living Wage/Real Living Wage. Due to the low margin nature of the sector, it is critical that the costs of the Charity are controlled tightly. Current year Total Expenditure as a proportion of Total Income of 93%, compares to 97% in the previous year.

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 the "cost of living" crisis. This situation has been exacerbated by structural resourcing issues within the sector. The key challenges the Trustees have faced during the year include:



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- maintaining income from our commissioners at a level which enables us to realise our ambition of being a Real Living Wage provider;
- financial challenges associated with the impact of the cost of living crisis; and
- work-force challenges facing the sector.

To help mitigate the impact of these issues the Trustees:

- Hold ongoing discussions with commissioners to ensure the rates we receive are optimal;
- 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; and
- 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.

The Charity continued to pay Real Living Wage to its support workers. The Trustees and Executive team continue to work closely with our commissioners to ensure the Charity receives appropriate levels of funding. 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.

### **Business Development and Growth**

During the year we were successful in winning a tender in Stockport, a new area for the charity, as part of our plans to increase our footprint in Greater Manchester.

We have also had several tender wins in Cheshire and Merseyside and set up some innovative new services in collaboration with commissioners, housing partners and the people supported. A particular focus is to provide step-down accommodation in the community linked to our independent hospitals.

The charity has a strong pipeline of business opportunities and is turning its focus towards business growth to be able to positively impact more lives and to enhance its financial resilience.

### **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 scheme and the Greater Manchester Pension Fund (GMPF) Defined Benefit scheme, the GMPF Defined Benefit Scheme reported a pension asset of £754k as at 31 March 2023 (2022: £321k). The Lancashire County Pension Fund Defined Benefit scheme reported an asset of £3,087k (2022: 1,389k). 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 £2,149k (2022: £1,032k) and the adverse movement in the derecognised asset of £2,355k (2022: £878k 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 £13.236m (2022: £13.492m). Funds held in investments are used to further the purpose of the Charity.

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 £0.949m (2022: £2.441m). The most significant cash flows arise from the acquisition and disposal of investments. The Group's cash balance at the end of the financial year was £5.055m (2022: £4.839m).

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The Group ended the year with net current assets of £7.675m (2022: £2.979m).

*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 a positive contribution.

*Cash and liquid investments*

As at 31 March 2023, the Charity reports a cash balance of £5.06m (2022: £4.84m) and liquid investments of £13.24m (2022: £13.49m).

**Achievement against 2022/23 Financial Key Performance Indicators**

The key financial performance indicators for the year and targets for 2022/23 are set out below:

End of Year KPIs	Target - FY202-23	Actual as at 31/3/22	Actual as at 31/3/23	Commentary
Debtor Days - gross	< 30	30 days	48 days	Increase as a consequence of the implementation of a new financial system
Creditor Days	>30	46 days	44 days	Implementation of new financial system provides improved control in this area.
Investment Income - Return %	3.% p.a.	1.90%	2.00%	Income relatively low due to falling bond yields.
Investment Income - Growth %	3% p.a.	3.10%	-7.60%	Markets fell back due to global economic uncertainty arising from the Russian invasion of Ukraine and inflationary pressure.
Gearing %	<35%	0.00%	0.00%	

**Achievement against 2021/22 Non-Financial Key Performance Indicators**

In April 2022 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	1,280	2,436
Employee Engagement Score	80%	80%
Average win rate for referrals	50%	61%
CQC ratings ≥ "Good"	12	12

**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 2023, AFG held funds of £27,213 (2022: £22,766) in its HSBC Bank Account, on behalf of people that we support, included in the Balance Sheet as both an Asset and a Liability. AFG has no title to this money.

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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, investment decisions are made within the parameters of the Statement of Investment Principles. The Statement of Investment Principles requires investments to be made considering best practice in terms of corporate governance and socially responsible investing. The 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%).

The broad objective for the Investment Portfolio is capital preservation combined with a growing income and capital growth: the total nominal return objective for the portfolio, including income, is 6.5-7.0% p.a. assuming RPI inflation of 3% p.a.

The Trustees were satisfied with the performance of the portfolio during the period. All investments have been made within the agreed policy.

**Reserves Policy and Performance**

Total funds held amount to £31,119k (2022: £27,058k) of which £1,139k is restricted (2022: £1,162k), with the remaining £29,980k unrestricted (2022: £25,896k). 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 (2022: £5.5m), with the available level of reserves being £16.9m. 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 £11.4m (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 and summarised in our Business Assurance Framework (BAF).

The key controls required to manage each risk, together with mitigating actions and responsible person are recorded. Risks are assessed against the Board's risk appetite and graded according to the probability and likelihood of the risk occurring and the potential impact to the organisation. Some of the high scoring key risks monitored by the Board during the year are shown below:

Strategic Risk	Mitigating Actions being taken
<p>Government failure to address Social Care reform and sector funding. AFG Learning Disability contracts become financially unsustainable to provide quality care leading to quality, safety and regulatory risk.</p>	<ul style="list-style-type: none"> <li>• Local authorities regularly made aware of the requirement for additional funding to ensure viability of services.</li> <li>• Political lobbying of council leaders and members of the risks of underfunding of adult social care.</li> <li>• Our cost models have been shared with a number of commissioners to provide visibility re; rates required to achieve financial sustainability.</li> <li>• The organisation continues to identify areas for cost reduction, especially in areas where costs are not funded within commissioners' fees.</li> <li>• Increased procurement activity to drive greater value for money on largest expenditure items.</li> <li>• The organisation continues to closely monitor the financial viability of all commissioner contracts and will take appropriate actions as required including contract hand back.</li> </ul>
<p>External political and economic factors impact on ability to maintain, attract and retain a skilled workforce. AFG services become unsustainable and/or quality impacted leading to quality, safety and regulatory risk.</p>	<ul style="list-style-type: none"> <li>• 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).</li> <li>• Additional investment made from reserves to increase staff pay to improve retention rates.</li> <li>• Additional investments made from reserves to support recruitment initiatives of new staff.</li> <li>• Increased use of casual staff and agency.</li> </ul>
<p>Failure by the organisation to exploit new digital technology to improve the efficiency and effectiveness of services as well as reduce information governance risk.</p>	<ul style="list-style-type: none"> <li>• Completion of revised Enterprise Architecture Plan</li> <li>• Implementation of new Financial System software completed.</li> <li>• New Care Management Software procurement underway</li> <li>• Regular cyber/penetration testing completed.</li> <li>• IT disaster recovery plan reviewed.</li> <li>• New data protection training completed by all employees.</li> </ul>
<p>Increased regulatory pressures in an underfunded sector. Delivery of safe and effective care to achieve required standards and compliance of Charity Commission and CQC regulations.</p>	<ul style="list-style-type: none"> <li>• Quality &amp; Compliance function providing oversight and audit of the services.</li> <li>• Recruitment of new Director of Quality and Service Improvement.</li> <li>• Funding from reserves to support workforce attraction and retention.</li> <li>• At 31 March 2023, all AFG services rated Good or Better.</li> </ul>

## **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.

### **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; and
- 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.

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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*

AFG 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 have significantly downsized our corporate headquarters during the prior 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 page 11).

*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 Team to ensure strategic risks are identified, the potential impact of these risks are 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 2023/24 Objectives**

For 2023/24 we have renewed our organisational strategy and produced a new 3-year strategic plan. We have done this as our previous plan had many of its key strategic aims successfully achieved earlier than we had anticipated. This meant the core aims of the strategy needed to be changed to reflect our current positive position, our revised ambition and goals, and take into account the highly-changeable nature of the current political and economic climate, our trading markets and other external factors.

For our new strategic plan, we will focus on “positively impacting more lives”. This represents a highly focused plan on growing the number of people we support, the number of services we run, and the impact we have on achieving independence, choice and control in peoples lives. We will do this profitably in order to maintain the ongoing sustainability and resilience of the organisation. To achieve this we will focus our energy and efforts in areas where commissioners fund us appropriately for our quality services and share a desire to work with us both collaboratively and creatively to deliver the very best personal outcomes for the people we support.

We will aim to grow by expanding our current services, creating new innovative ones, and transferring in services from failing and substandard providers to support over 1000 people within the next 3 years. This will also mean a targeted increase in our service revenues by approximately 15%, whilst maintaining a modest surplus target for the organisation of 3%. We will continue our operational efficiency initiatives by investing further in our back office systems, technology and staff digital competency to become a fully digitally-empowered organisation. We will also continue our ambition to be pioneers in the creation of opportunities for the people we support to benefit from use of digital technology to improve their lives.

Furthermore, we will aim to raise the profile of AFG to be one of the most recognised, trusted and influential health & social care brands within our markets and the regions and localities we work in. We will achieve this by continuing our drive to be a sector leader in quality, value and personal outcomes and share more externally our amazing achievements and stories. For our workforce, we will continue to prioritise our front-line staff pay, invest and develop our management talent, and build further on our current wave of positivity to create an even greater, vibrant and diverse culture to become a great place to work.

### **Auditors**

A resolution to re-appoint RSM UK Audit LLP as the Group’s external auditors for 2023/24 was proposed and agreed at the Board Meeting 8 November 2023.

### **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.

The Charity continues to navigate well through the various financial challenges it faces, whether that be the cost of living crisis and the consequential pressure on the cost of base of the Charity (both pay and non-pay costs), or the continued under-funding of the supported living part of the business.

Notwithstanding these challenges the Charity has been able move to a healthy cash and reserves head-room position, that will enable it to invest to protect its future.

In considering the appropriateness of the Going Concern assumption, Income and Expenditure, Cash-Flow and Reserves head-room 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 these financial statements. Since 31 March 2023 trading performance is positive and ahead of Budget.

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**Going Concern (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.

**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 8 December 2023 and signed on its behalf by:



**Brian Walsh**

Chair – Alternative Futures Group Limited  
8 December 2023



# **Alternative Futures Group Limited**

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

### **Opinion**

We have audited the financial statements of Alternative Futures Group Limited (the 'parent charitable company') for the year ended 31 March 2023 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 2023 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.

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**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 22, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the group's and parent charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the group or parent charitable company or to cease operations, or have no realistic alternative but to do so.

**Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

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

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

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

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 102, Charities SORP (FRS 102), Companies Act 2006, Charities Act 2011, the Pension Schemes Act 2021, and the charitable company's governing document. 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, and 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) regulations, and the UK General Data Protection Regulations (UK GDPR). We performed audit procedures to inquire of management whether the group is in compliance with these law and regulations, reviewed board minutes for evidence of any regulatory discussions, and inspected correspondence during the year with regulatory authorities.

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 judgments and estimates.

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

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

**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

14<sup>th</sup> Floor

20 Chapel Street

Liverpool

L3 9AG

Date: 12 December 2023

**Alternative Futures Group Limited**  
**Consolidated Statement of Financial Activities (including Consolidated Income & Expenditure Account)**  
**For the year ended 31 March 2023**

	Note	Unrestricted funds £000	Restricted funds £000	Total 2023 £000	Unrestricted funds £000	Restricted funds £000	Total 2022 £000
<b>Income</b>							
Charitable activities	2	65,230	-	65,230	60,099	-	60,099
Investments	3	208	-	208	91	-	91
Government Grants	4	7	-	7	1,164	-	1,164
<b>Total income</b>		<b>65,445</b>	<b>-</b>	<b>65,445</b>	<b>61,354</b>	<b>-</b>	<b>61,354</b>
<b>Expenditure on:</b>							
Charitable activities (including exceptional cost amounting to £74,000 (2022: £123,000))	5 & 6	60,910	23	60,933	59,600	23	59,623
<b>Total expenditure</b>		<b>60,910</b>	<b>23</b>	<b>60,933</b>	<b>59,600</b>	<b>23</b>	<b>59,623</b>
Net (loss)/gain on investments	14	(245)	-	(245)	170	-	170
<b>Net Income / (expenditure)</b>		<b>4,290</b>	<b>(23)</b>	<b>4,267</b>	<b>1,924</b>	<b>(23)</b>	<b>1,901</b>
<b>Gross Transfers between Funds</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net income / (expenditure) before other recognised gains and losses</b>		<b>4,290</b>	<b>(23)</b>	<b>4,267</b>	<b>1,924</b>	<b>(23)</b>	<b>1,901</b>
<b>Other recognised Gains</b>							
Actuarial (loss)/gain on defined benefit pension scheme	22	(206)	-	(206)	154	-	154
<b>Total other recognised (losses)/gains</b>		<b>(206)</b>	<b>-</b>	<b>(206)</b>	<b>154</b>	<b>-</b>	<b>154</b>
<b>Net movement in funds</b>		<b>4,084</b>	<b>(23)</b>	<b>4,061</b>	<b>2,078</b>	<b>(23)</b>	<b>2,055</b>
<b>Reconciliation of funds</b>							
Total funds brought forward	18	25,896	1,162	27,058	23,818	1,185	25,003
<b>Total funds carried forward</b>	<b>18</b>	<b>29,980</b>	<b>1,139</b>	<b>31,119</b>	<b>25,896</b>	<b>1,162</b>	<b>27,058</b>

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 2023**

Company No: 02679915  
Charity No: 1008587

	Note	2023 £000	£000	2022 £000	£000
<b>Fixed assets</b>					
Intangible assets	11		772		913
Tangible assets	12		9,330		9,344
Investments	14		13,236		13,492
			23,338		23,749
<b>Current assets</b>					
Debtors	15	8,254		5,397	
Cash at bank and in hand		5,055		4,839	
		13,309		10,236	
<b>Current liabilities</b>					
<b>Creditors:</b> amounts falling due within one year	16	(5,634)		(7,257)	
<b>Net current assets</b>			<b>7,675</b>		<b>2,979</b>
<b>Total assets less current liabilities</b>			<b>31,013</b>		<b>26,728</b>
Defined benefit pension scheme asset	22		106		330
<b>Total net assets</b>			<b>31,119</b>		<b>27,058</b>
<b>Funds:</b>					
Unrestricted funds	18		29,980		25,896
Restricted funds	18		1,139		1,162
			<b>31,119</b>		<b>27,058</b>

The financial statements were approved and authorised for issue by the Board of Trustees on 8 December 2023 and signed on their behalf by:



**Brian Walsh – Chair**

	Note	2023 £000	£000	2022 £000	£000
<b>Fixed assets</b>					
Intangible assets	11		772		913
Tangible assets	12		9,330		9,344
Investments in subsidiary	13		-		-
Investments	14		13,236		13,492
			23,338		23,749
<b>Current assets</b>					
Debtors	15	8,254		5,397	
Cash at bank and in hand		5,055		4,839	
		13,309		10,236	
<b>Creditors:</b> amounts falling due within one year	16	(5,568)		(7,191)	
<b>Net current assets</b>			<b>7,741</b>		<b>3,045</b>
<b>Total assets less current liabilities</b>			<b>31,079</b>		<b>26,794</b>
Defined benefit pension scheme asset	22		106		330
<b>Total net assets</b>			<b>31,185</b>		<b>27,124</b>
<b>Funds:</b>					
Unrestricted funds	18		30,046		25,962
Restricted funds	18		1,139		1,162
			<b>31,185</b>		<b>27,124</b>

The entity has taken the exemption from presenting its unconsolidated income and expenditure account under section 408 of the Companies Act 2006. The net movement in funds of the company for the year was £4,061,000 (2022: £2,055,000) and net income was £4,267,000 (2022: £1,880,000).

The financial statements were approved and authorised for issue by the Board of Trustees on 8 December 2023 and signed on their behalf by:



**Brian Walsh – Chair**

**Alternative Futures Group Limited**  
**Consolidated Statement of Cash Flows**  
**For the year ended 31 March 2023**

	<b>Notes</b>	<b>2023</b> £000	<b>2022</b> £000
<b>Cash flows generated from operating activities</b>	<b>20</b>	949	2,441
<b>Investing activities</b>			
Purchase of fixed assets		(744)	(1,003)
Proceeds from sale of fixed assets		-	1,970
Purchase of investments		(1,669)	(4,037)
Proceeds from sale of investments		1,680	559
<b>Net cash used in investing activities</b>		<b>(733)</b>	<b>(2,511)</b>
<b>Net increase /(decrease) in cash and cash equivalents</b>		216	(70)
<b>Cash and cash equivalents at beginning of year</b>		4,839	4,909
<b>Cash and cash equivalents at end of year</b>		<b>5,055</b>	<b>4,839</b>
<b>Relating to</b>			
Cash at bank and in hand		5,055	4,839

**Analysis of changes in net debt**

	At 1 April 2022 £000	Cashflows £000	At 31 March 2023 £000
<b>Cash and cash equivalents</b>			
Cash	4,839	216	5,055
<b>Total</b>	<b>4,839</b>	<b>216</b>	<b>5,055</b>



## **ACCOUNTING POLICIES**

### **General Information**

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

The Charity continues to navigate well through the various financial challenges it faces, whether that be the cost of living crisis and the consequential pressure on the cost of base of the Charity (both pay and non-pay costs), or the continued under-funding of the supported living part of the business. Notwithstanding these challenges, the Charity has been able move to a healthy cash and reserves head-room position, that will enable it to invest to protect its future.

In considering the appropriateness of the Going Concern assumption, Income and Expenditure, Cash-Flow and Reserve head-room 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 these financial statements. As at 31 March 2023, the Charity reports a cash balance of £5.06m (2022: £4.84m) and liquid investments of £13.24m (2022: £13.49m). Since 31 March 2023 trading performance is positive and ahead of Budget.

## **ACCOUNTING POLICIES (CONTINUED)**

### **Going Concern (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 2023.

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 relating to Covid Infection Control Monies (Note 4).

### **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 expected 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	20 years
Furniture & Equipment	10 years

### **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 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.

## **1 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.
- The present value of the defined benefit pension asset depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost or income for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 22 will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2019 has been used by the actuary in valuing the pensions asset / liability at 31 March 2023. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension asset of £106k (2022: £330k).

As at 31 March 2023, a defined benefit plan asset has been recognised within the financial statements. The amount recognised as an asset has been restricted to the extent that the charity is able to recover the surplus either through reduced contributions in the future or through refunds from the plan. This has been determined by recognizing the lower of the defined benefit asset and the actuarial valuation of the future service cost over the expected life of the plan.

## **2 CHARITABLE ACTIVITIES INCOME**

	2023 £000	2022 £000
Supported living services	52,981	49,984
Independent Hospitals	12,249	10,115
	<u>65,230</u>	<u>60,099</u>

All income in the current and prior year was unrestricted.

### **3 INVESTMENT INCOME**

	2023 £000	2022 £000
Dividends – UK equity	36	30
Dividends – Overseas equities	30	24
Dividends – Other	12	13
Interest – UK fixed interest securities	18	18
Interest on cash deposits	112	6
	<u>208</u>	<u>91</u>

All current and prior year income was unrestricted.

### **4 GOVERNMENT AND LOCAL AUTHORITY GRANTS**

	2023 £000	2022 £000
Coronavirus Job Retention Scheme	-	52
Infection Control income from Local Authorities	7	1,112
	<u>7</u>	<u>1,164</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	2023 £000	2022 £000
<b>Provision of support and care</b>						
Supported living	43,722	436	1,814	5,593	51,565	50,823
Independent Hospitals	4,428	3,210	430	1,209	9,277	8,779
Adult Care Homes	87	4	-	-	91	21
	<u>48,237</u>	<u>3,650</u>	<u>2,244</u>	<u>6,802</u>	<u>60,933</u>	<u>59,623</u>
Total charitable activities						

## **5 ANALYSIS OF EXPENDITURE ON CHARITABLE ACTIVITIES (CONTINUED)**

	Unrestricted	Restricted	2023	Unrestricted	Restricted	2022
	£000	£000	£000	£000	£000	£000
<b>Provision of support and care</b>						
Supported living	51,565	-	51,565	50,823	-	50,823
Independent						
Hospitals	9,254	23	9,277	8,756	23	8,779
Adult Care Homes	91	-	91	21	-	21
<b>Total charitable activities</b>	<u>60,910</u>	<u>23</u>	<u>60,933</u>	<u>59,600</u>	<u>23</u>	<u>59,623</u>

## **6 EXCEPTIONAL ITEMS**

	2023 £000	2022 £000
Loss on the Sale of Assets	-	23
Staff Costs, including redundancy, taxes and pensions	<u>74</u>	<u>100</u>
	<u>74</u>	<u>123</u>

## **7 ANALYSIS OF GOVERNANCE AND SUPPORT COSTS**

	2023 £000	2022 £000
OPERATIONAL SERVICE SUPPORT COSTS		
Operational Support / CQC Registered Addresses / Regional Offices	146	56
Operational Management / Workforce Planning / Rostering	472	531
Operational Services ICT Infrastructure	381	526
Operational Services Learning & Development Costs	912	778
Operational Services Quality Support Costs	<u>333</u>	<u>298</u>
	<u>2,244</u>	<u>2,189</u>



## **7 ANALYSIS OF GOVERNANCE AND SUPPORT COSTS (CONTINUED)**

	2023 £000	2022 £000
CORPORATE SUPPORT COSTS		
Financial, Transaction & Reporting, Banking & Audit Costs	1,524	1,213
HR & Recruitment Costs	1,708	1,618
ICT, Software Licencing, Depreciation and Support Desk	1,888	1,994
Insurance Costs	516	710
Governance & Administration	736	690
Risk & Assurance	1	14
Premises Running Costs	40	214
Legal Fees	29	95
Interest on defined benefit pension	50	-
Chief Executive Department	310	555
	<u>6,802</u>	<u>7,103</u>

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

Governance costs include internal audit fees of £37,915 (2022: £39,082) and services from external auditors of £107,000 (2022: £112,882), Trustee development £Nil (2022: £Nil). Trustee indemnity insurance £Nil (2022: £Nil) is not individually identified, but contained within the overall Social Care Insurance Premium.

Staff costs included within support costs amount to £5,664,089 (2022: £5,562,661).

## **8 NET INCOME / (EXPENDITURE) FOR THE YEAR**

This is stated after charging:

	2023 £000	2022 £000
Operating lease rentals	201	179
Interest on defined benefit pension	50	-
Depreciation and amortisation:		
Intangible fixed assets, owned (see note 11)	49	73
Tangible fixed assets, owned (see note 12)	694	712
Auditor's remuneration:		
- audit fees	93	74
- accountancy fees	14	7
	<u>14</u>	<u>7</u>

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

Staff costs during the year were as follows:

	2023	2022
<b>Group and company</b>	<b>£000</b>	<b>£000</b>
Wages and salaries	49,089	47,375
Social security costs	3,927	3,508
Employer pension costs – operating (income)/cost in respect of DB Schemes	(32)	39
Employer pension costs – costs of contributions paid to DC schemes	692	1,181
Redundancy payments	74	100
	<u>53,750</u>	<u>52,203</u>

Included within FY2022 numbers is a provision of £0.1m relating to the review undertaken by the organisation of both its senior and operational management. No such provision was required in FY2023.

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

	Number of employees	
	2023	2022
£60,001 to £70,000	9	2
£110,001 to £120,000	-	3
£120,001 to £130,000	4	1
£160,001 to £170,000	-	1
£170,001 to £180,000	1	-
	<u>14</u>	<u>7</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 and Charity was £945,878 (2022: £759,270).

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

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

	2023 £000	2022 £000
Pension contributions to money purchase schemes	426	908
Pension contributions to defined benefit schemes	266	273
	<u>692</u>	<u>1,181</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	
	2023	2022
Money Purchase Schemes	1,480	1,435
Defined Benefit Schemes	<u>59</u>	<u>68</u>
	<u>1,539</u>	<u>1,503</u>

During the year eight higher paid employees (2022: four) participated in a money purchase pension scheme. Employer contributions for the higher paid employees were £66,748 (2022: £58,651).

Nil of the higher paid employees (2022: one) did not participate in a pension scheme.

The Chair of the Board of Trustees, Brian Walsh, received remuneration in the year of £15,000 (2022: £6,250), as allowed in the Memorandum and Articles of Association and agreement from the Charity Commission received in June 2011. The Chair received £Nil pension contributions during the year (2022: £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. Three Trustees (2022: One) received £1,036 reimbursement for travelling and accommodation expenses in the current year (2022: £66).

## **10 STAFF NUMBERS**

### **Group**

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

	No of employees	
	2023	2022
Management and Operational Care and Support Staff	1,659	1,752
Governance and administration of the charity	<u>12</u>	<u>10</u>
	<u>1,671</u>	<u>1,762</u>

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

	No of employees	
	2023	2022
Management and Operational Care and Support Staff	1,459	1,542
Governance and administration of the charity	<u>12</u>	<u>10</u>
	<u>1,471</u>	<u>1,552</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
<b>Cost</b>				
As at 1 April 2022	349	1,523	1,300	3,172
Additions	<u>64</u>	<u>-</u>	<u>-</u>	<u>64</u>
As at 31 March 2023	<u>413</u>	<u>1,523</u>	<u>1,300</u>	<u>3,236</u>
<b>Amortisation</b>				
As at 1 April 2022	-	959	1,300	2,259
Provided in the year	<u>-</u>	<u>205</u>	<u>-</u>	<u>205</u>
As at 31 March 2023	<u>-</u>	<u>1,164</u>	<u>1,300</u>	<u>2,464</u>
Net book amount at 31 March 2023	<u>413</u>	<u>359</u>	<u>-</u>	<u>772</u>
Net book amount at 31 March 2022	<u>349</u>	<u>564</u>	<u>-</u>	<u>913</u>

Included within the value of amortisation provided in the year is £156,000 (2022: £468,000) 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 (go live commenced in 2023/24 financial year), and the new Care Management system (expected to go live 2025/26 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
<b>Cost</b>			
As at 1 April 2022	12,382	5,994	18,376
Additions	426	254	680
Disposals at Cost	-	(180)	(180)
Transfer	35	(35)	-
	<u>12,843</u>	<u>6,033</u>	<u>18,876</u>
As at 31 March 2023			
<b>Depreciation and Impairment</b>			
As at 1 April 2022	4,684	4,348	9,032
Disposals at Cost	-	(180)	(180)
Provided in the year	431	263	694
Transfer	191	(191)	-
	<u>5,306</u>	<u>4,240</u>	<u>9,546</u>
As at 31 March 2023			
	<u>7,537</u>	<u>1,793</u>	<u>9,330</u>
Net book amount at 31 March 2023			
	<u>7,698</u>	<u>1,646</u>	<u>9,344</u>
Net book amount at 31 March 2022			

The cost of land held within freehold land and buildings amounts to £2,394,307 (2022: £2,394,307) and is not depreciated.

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

	2023 £000	2022 £000
Turnover	-	-
Expenditure, including Interest paid and received	(1)	5
Loss for the financial year	(1)	(5)
Total Assets	-	-
Total Liabilities	(135)	(113)
Equity at end of year	(135)	(113)

### 14 FIXED ASSET INVESTMENTS

Movement in fixed assets investments

	Group		Company	
	2023 £000	2022 £000	2023 £000	2022 £000
Fixed asset investments held for return:				
Listed investments	<u>13,236</u>	<u>13,492</u>	<u>13,236</u>	<u>13,492</u>
	<u>13,236</u>	<u>13,492</u>	<u>13,236</u>	<u>13,492</u>

	Group		Company	
	2023 £000	2022 £000	2023 £000	2022 £000
Listed investments				
Fair value brought forward	13,492	9,844	13,492	9,844
Additions to investments at cost	9,869	1,537	9,869	1,537
Cash in transit	-	2,500	-	2,500
Disposal at carrying value	(1,681)	(559)	(1,681)	(559)
Disposal – cash withdrawals to BlackRock	(8,199)		(8,199)	
Changes in fair value	<u>(245)</u>	<u>170</u>	<u>(245)</u>	<u>170</u>
Fair value carried forward	<u>13,236</u>	<u>13,492</u>	<u>13,236</u>	<u>13,492</u>
Historical cost at 31 March	12,594	10,035	12,594	10,035

#### **14 FIXED ASSET INVESTMENTS (CONTINUED)**

Listed investments at fair value comprised:

	<b>Group</b>		<b>Company</b>	
	2023	2022	2023	2022
	£000	£000	£000	£000
Equities – UK	1,579	1,038	1,579	1,488
Equities – Overseas	2,959	2,440	2,959	1,990
Fixed interest securities – UK	1,887	1,104	1,887	1,104
Property – UK	205	223	205	223
Cash held for investments	500	-	500	-
Cash equivalents	6,106	8,687	6,106	8,687
	<u>13,236</u>	<u>13,492</u>	<u>13,236</u>	<u>13,492</u>
Fair value carried forward	13,236	13,492	13,236	13,492

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

	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
iShares Index Linked	578	496
Rathbone Ethical Bond	495	299
Troy Trojan	637	583
Baillie Gifford Strategic Bond	445	-
Baillie Gifford International	382	419
Evenlode Income	465	338
Artemis Income	469	366
M&G Charifund	333	334
iShares Corporate Bond ETF	369	-
Hermes Emerging Markets	378	294
Artisan Global Value	332	-
JPM Global Growth and Income	346	254
BNY Mellon Global Income	317	255
iShares MSCI World ETF	332	251

#### **15 DEBTORS**

	<b>Group</b>		<b>Company</b>	
	2023	2022	2023	2022
	£000	£000	£000	£000
Trade debtors	6,210	2,934	6,210	2,934
Intercompany debtor	69	-	69	-
Prepayments	167	793	167	793
Accrued income	1,795	1,656	1,795	1,656
Other	13	14	13	14
	<u>8,254</u>	<u>5,397</u>	<u>8,254</u>	<u>5,397</u>

Trade debtors are stated after a credit note provision of £2,084,000 (2022: £1,640,000).



## **16 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>Group</b>		<b>Company</b>	
	2023	2022	2023	2022
	£000	£000	£000	£000
Trade creditors	1,029	1,673	1,029	1,673
Accruals and deferred income	3,582	4,114	3,517	4,048
Social security and other taxes	851	840	851	840
Other creditors	172	630	171	630
	<u>5,634</u>	<u>7,257</u>	<u>5,568</u>	<u>7,191</u>

Included in other creditors is an amount of £171,955 (2022: £179,637) due to pension schemes which was paid subsequent to the year end.

Deferred Income at the end of the year was £831,393 (2022: £1,185,469), of which £52,851 (2022: £58,590) related to timing of invoices raised around year-end, £113,169 (2022: £150,000) related to Covid Infection control support, and the other £665,373 (2022: £976,879) related to invoices and payments in query, where monies received from commissioners do not match the amounts invoiced under the care-plans.

	2023	2022
	£000	£000
Deferred income at 1 April	1,185	1,548
Release of deferred income	(519)	(787)
Amounts deferred in the year	<u>165</u>	<u>424</u>
Deferred income at 31 March	831	1,185

## **17 FINANCIAL INSTRUMENTS**

	2023	2022
	£000	£000
Financial assets:		
Instruments measured at fair value through profit or loss	<u>13,236</u>	<u>13,492</u>

## 18 MOVEMENT IN FUNDS

### GROUP

	At 1 April 2022	Income	Expenditure	Loss on investment assets	Gross Transfer between Funds	Pension	At 31 March 2023
	£000	£000	£000	£000	£000	£000	£000
<b>Unrestricted funds:</b>							
Unrestricted funds	25,896	65,445	(60,910)	(245)	-	(206)	29,980
<b>Restricted funds: gifted properties</b>	<u>1,162</u>	<u>-</u>	<u>(23)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,139</u>
Total funds	<u>27,058</u>	<u>65,445</u>	<u>(60,933)</u>	<u>(245)</u>	<u>-</u>	<u>(206)</u>	<u>31,119</u>

### COMPANY

	At 1 April 2022	Income	Expenditure	Loss on investment assets	Gross Transfer between Funds	Pension	At 31 March 2023
	£000	£000	£000	£000	£000	£000	£000
<b>Unrestricted funds:</b>							
Unrestricted funds	25,962	65,445	(60,910)	(245)	-	(206)	30,046
<b>Restricted funds: gifted properties</b>	<u>1,162</u>	<u>-</u>	<u>(23)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,139</u>
Total funds	<u>27,124</u>	<u>65,445</u>	<u>(60,933)</u>	<u>(245)</u>	<u>-</u>	<u>(206)</u>	<u>31,185</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 Limited. 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 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
<b>Unrestricted funds:</b>							
Unrestricted funds	23,818	61,354	(59,600)	170	-	154	25,896
<b>Restricted funds:</b> 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
<b>Unrestricted funds:</b>							
Unrestricted funds	23,926	61,354	(59,642)	170	-	154	25,962
<b>Restricted funds:</b> 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>

## **19 ANALYSIS OF NET ASSETS BETWEEN FUNDS**

Fund balances at 31 March 2023 are represented by:

<b>GROUP</b>	Unrestricted funds £000	Restricted funds £000	2023 £000
Intangible fixed assets	772	-	772
Tangible fixed assets	8,191	1,139	9,330
Investments	13,236	-	13,236
Current assets	13,309	-	13,309
Current liabilities	(5,634)	-	(5,634)
Pension	106	-	106
Net assets	<u>29,980</u>	<u>1,139</u>	<u>31,119</u>

<b>COMPANY</b>	Unrestricted funds £000	Restricted funds £000	2023 £000
Intangible fixed assets	772	-	772
Tangible fixed assets	8,191	1,139	9,330
Investments	13,236	-	13,236
Current assets	13,309	-	13,309
Current liabilities	(5,568)	-	(5,568)
Pension	106	-	106
Net assets	<u>30,046</u>	<u>1,139</u>	<u>31,185</u>

## **19 ANALYSIS OF NET ASSETS BETWEEN FUNDS (CONTINUED)**

Fund balances at 31 March 2022 are represented by:

<b>GROUP</b>	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>

<b>COMPANY</b>	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>

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

	2023 £000	2022 £000
Net Income	<u>4,267</u>	<u>1,901</u>
Adjustments for:		
Loss on disposal of tangible assets	-	23
Gain / (loss) on investments	245	(170)
Amortisation charges	205	73
Depreciation charges	694	712
DB Scheme costs less contributions payable	(32)	38
DB Scheme net finance (expense)/income	<u>50</u>	<u>(15)</u>
	5,429	2,562
<b>Movements in working capital:</b>		
Decrease in debtors	(2,857)	(915)
(Decrease) /increase in creditors	<u>(1,623)</u>	<u>794</u>
Net cash generated by operating activities	<u>949</u>	<u>2,441</u>

**21 CAPITAL COMMITMENTS**

The charity had total capital commitments of £41,675 at 31 March 2023 (2022: £Nil). Capital commitments in respect of intangible assets were £Nil (2022: £Nil). Capital commitments in respect of tangible assets were £41,675 (2022: £Nil).

## **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 2022 to 31 March 2023 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 2023 are based on the last full actuarial valuations as at 31 March 2019 and updated to 31 March 2023, and include the pension schemes in aggregate.

#### *Overall assumptions:*

	Total of pension schemes 2023 %	Total of pension schemes 2022 %
Key assumptions used:		
Discount rate	4.78	2.8
Expected return on plan assets	2.48	11.9
Equities	2.48	11.9
Bonds	2.48	11.9
Property	2.48	11.9
Cash other	2.48	11.9
Rate of inflation	2.9	3.3
Expected rate of salary increases	4.0	4.4
Future pension increases	2.9	3.4

## **22 RETIREMENT BENEFITS (CONTINUED)**

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

	Total of pension schemes 2023 Years	Total of pension schemes 2022 Years
Male	20.2	21.3
Female	23.4	24.1

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

	Total of pension schemes 2023 Years	Total of pension schemes 2022 Years
Male	22.0	22.7
Female	24.9	26.0

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 2023 £000	Total of pension schemes 2022 £000
Current service cost	32	47
Interest cost	185	142
Interest income	(235)	(157)
Administration costs	-	-
	<u>(18)</u>	<u>32</u>

Actuarial gains and losses are reported in the statement of financial activities. The Loss recognised in 2023 was £206,000 (2022: £154,000 gain).

The actual return on scheme assets was £205,000 (2022: £831,000) for Lancashire County Pension Fund and £35,000 (2022: £220,000) 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 2023 £000	Total 2022 £000
Fair value of scheme assets	8,548	8,546
Present value of defined benefit obligations	<u>(4,707)</u>	<u>(6,836)</u>
Asset in scheme	3,841	1,710
Limit on asset in Greater Manchester scheme	(727)	(137)
Limit on asset in Lancashire scheme	<u>(3,008)</u>	<u>(1,243)</u>
Recognised in balance sheet	<u>106</u>	<u>330</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 2023 £000	Total 2022 £000
At start of period	6,836	6,942
Current service cost	42	47
Interest cost	185	142
Actuarial (gains) and losses	(2,189)	(161)
Contributions by plan participants	6	7
Benefits paid	<u>(173)</u>	<u>(141)</u>
At the end of the period	<u>4,707</u>	<u>6,836</u>

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

	Total 2023 £000	Total 2022 £000
At start of period	8,546	7,643
Interest income	235	157
Return on plan assets less amounts included in net interest	(76)	871
Employer contributions	10	9
Members contributions	6	7
Benefits paid	<u>(173)</u>	<u>(141)</u>
At the end of the period	<u>8,548</u>	<u>8,546</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 2023 £000	Total of pension schemes Fair value assets 2022 £000
Equity Instruments	7	6
Government bonds	-	53
Property	99	105
Cash / liquidity	53	165
Other assets	6,449	6,256
	<u>6,608</u>	<u>6,585</u>

### **Greater Manchester Pension Fund:**

	Total of pension schemes Fair value assets 2023 £000	Total of pension schemes Fair value assets 2022 £000
Equity Instruments	1,319	1,314
Government bonds	291	294
Property	175	157
Cash / liquidity	155	196
	<u>1,940</u>	<u>1,961</u>

The amounts of contributions expected to be paid to the schemes during the financial period ending 31 March 2023 are £Nil (2022: £Nil) in respect of Lancashire County Pension Fund and £10,000 (2022: £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:

	<b>Group</b>		<b>Company</b>	
	2023	2022	2023	2022
	£000	£000	£000	£000
Within one year	130	88	130	88
Between two and five years	199	126	199	126
	<u>329</u>	<u>214</u>	<u>329</u>	<u>214</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 2023, the company had 12 members (2022: 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 £122k.

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

## **27 RELATED PARTY TRANSACTIONS**

During the year amounts were paid on behalf of Red Hazels totalling £1,932 (2022: £Nil), balances outstanding with the subsidiary Red Hazels Developments Limited disclosed below:

	2023	2022
	£	£
Amounts discharged by AFG	-	(30)
Amounts owed from Red Hazels at 31 March	<u>69,217</u>	<u>67,285</u>