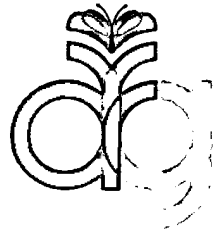


Company No: 02679915
Charity No: 1008587

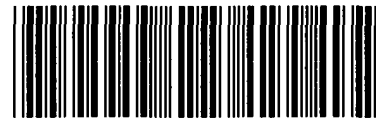


ALTERNATIVE FUTURES GROUP

ANNUAL REPORT & FINANCIAL STATEMENTS

FOR THE YEAR ENDING
31 MARCH 2020

TUESDAY



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Alternative Futures Group Limited Contents

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Alternative Futures Group Limited Chair's Statement

As I reflect on the past year as Chair, this has been a year of significant challenge but also positive change for the direction of the Charity.

In our markets, Adult Social Care has continued to lack the critical investment it requires at Local Authority level as the Government failed to produce the much-anticipated green paper on social care reform. In Mental Health provision, despite some increased Government funding, the planned changes in local commissioning and partnership working (as described in the Mental Health 5yr Forward View) have not materialised as the NHS moved its interests towards the new NHS Long Term Plan and the creation of Sustainability and Transformation Partnerships (STPs) and Integrated Care Systems (ICSs).



As for funding, in Adult Social Care, Local Authority care rates for supported living day support increased by an average of 3.9% with many commissioners freezing rates for night-time support (waking night and sleep-in). In contrast, National Minimum Wage (NMW) increased by 4.9% meaning for another successive year the Charity was again required to subsidise the shortfall in Local Authority rate increases through both charitable reserves and cost reduction measures. In Mental Health, the NHS and Clinical Commissioning Groups awarded providers with a 1.5% rate increase, meaning our Mental Health Rehabilitation Services again fell short of covering the Charity's cost increases from NMW (4.9%) and inflation (2%).

In order to address not only these market challenges, but also tackle the underlying financial impact that year on year funding shortfalls have had on the Charity's reserves, the Board and the Executive Team responded with a detailed 2019/20 Annual Business Plan and 3-year Budget. This plan would aim to cease the organisation's ongoing financial decline, stabilise performance and form the new strategic foundations upon which the organisation could rebuild. This plan would form a preparatory year 0 of a new 5yr strategic plan for 2020-25, which would set a new vision and transformational roadmap for the organisation.

A critical part of the 2019/20 Annual Business Plan was to recentralise service operations, and so in April 2019 the organisation changed from a regional operating structure to a divisional one. New operational divisions would focus on our core beneficiary areas of Learning Disability and Mental Health. We repatriated and recentralised over 70 functional support staff from regional offices to Lion Court. This change has seen immense benefit over the year with a number of cost savings materialising from removing activity and location duplication to improved quality benefits from standardised practice, optimised resources and stronger executive leadership.

I am delighted to report that the Annual Business Plan achieved the majority of its key aims, objectives and financial targets for the year (COVID impact aside). This has put the organisation on a much more solid, stable and adaptable foundation for its future and in readiness for the launch our 5-year strategic plan in 2020/21. Our turn around journey has commenced, albeit there is still much more work to do.

In early 2019, the organisation made the very difficult and regrettable decision to move away from paying NMW to support workers for sleep-in shifts. In the previous 5 years when the law required payment for sleep-in shifts at NMW, the Charity had subsidised support worker pay to the value of £8m as Local Authority commissioners failed to fund NMW costs in their sleep-in rates. When the law changed in late 2018, the Board were left with no option but to reduce support worker pay for sleep-in shifts based on the rates paid by individual Local Authorities less the Charity's costs. The change in sleep-in pay resulted in disruptive strike action by over 150 staff who were members of the trade union Unison. The industrial action lasted 5 months until Unison eventually withdrew strike action following a review by an independent financial analyst that validated AFG's claims that Local Authority rates were insufficient for AFG to cover NMW pay costs.

I would personally like to thank all our support worker colleagues for their understanding of this decision during this difficult period. Such decisions are never taken lightly by the Board and only ever made to protect the existence of the Charity and the future jobs of everyone in the organisation. We recognise that any reduction in individuals pay can cause potential hardship and distress to some of the lowest paid workers in our organisation. We continue to campaign for better all-round pay for our

Alternative Futures Group Limited

Chair's Statement

support workers and the amazing work they do. Where Local Authorities increase this component of their provider fees, we will continue to prioritise and pass on the benefits to front line staff wherever possible.

In 2019/20 our flagship Independent Hospital, Tesito House, remained closed as we worked with a number of local CCG commissioners and providers to identify a service opportunity. Unfortunately, Greater Manchester currently has an over-supply of Mental Health in-patient beds as commissioners and acute providers focus on increasing capacity in more residential based facilities for Mental Health. As such, a 24-bed Hospital facility is not a current requirement. We therefore ended the year with Tesito House on the market for sale or lease, with the property being subsequently disposed of in September 2020.

This year also saw our launch of a new, 8-bed, community-based, Transforming Care Service in the heart of the Liverpool residential belt. The service in partnership with Liverpool City Council and supported by a redevelopment grant by NHS England, sees AFG continue to demonstrate its expertise in supporting some of the most complex and challenging individuals in a community setting. The service which has been operational for almost 9 months ended the year with a fantastic CQC overall rating of "good" with "outstanding" in the domain for "effective" care. We will continue to seek opportunities to expand our Transforming Care offer.

In the year, there have been several senior appointment changes made by Ian Pritchard (Chief Executive) within our Executive Team structure. Most significantly, the three Regional Director roles present since 2016 and Group Operations Director roles were replaced by two new Divisional Executive Director roles, one for Learning Disabilities and one for Mental Health. We also recruited Executive Director replacements for vacancies in Finance, Estates and Risk, and, Corporate & Commercial Development. The year ended with a full Executive Team in situ.

As we close this year of positive improvement, we of course face the unknown impact of COVID-19 on our services, our staff, the people we support and of course society as a whole. I am confident the organisation will respond effectively, safely and compassionately to this crisis and that it is fully equipped with the necessary resources, talent and ingenuity to overcome the challenges that will arise. I pass on my gratitude now to all AFG colleagues who I know will go the extra mile to ensure the people we support remain supported, safe and well during such an unknown threat.

In Summary, we close this financial year in a much more financially sustainable and purposeful position than we did at the close of financial year ended March 2019, despite the Charity returning another year of operating deficit. Nonetheless, and despite our financial challenges, AFG remains financially secure, has a strong asset base, and has proved itself to be highly resilient operationally. Reputationally, we continue to be held in high regard by our many loyal commissioners, the people we support and their families, who value our services, our staff, and our values, and see us as their trusted partners.

I look forward to 2020/21 and a year where the organisation will continue its financial recovery and strive to evolve even further with the launch of our 5-year strategic plan, and I have total belief that AFG has the right foundations and strategy to create a financially sustainable and successful future and return to the trailblazing organisation it was back in 1992.

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 that we do and remain at the forefront of our mission and vision for the future.

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

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

Chris Hannah

Chair of Alternative Futures Group

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

Trustees:

Trustee	Position	Changes in the Year
Chris Hannah	Chair of the Board	
Andrew Lomas	Vice-Chair of the Board, and Chair of Appointments Committee & Remuneration Committee	Resigned on 10 September 2019
Iain Bell	Chair of Audit & Risk Committee	
Jonathan Lloyd	Chair of Performance Committee	
Michael Parkinson		Resigned on 23 October 2019
Mike Clarke	Chair of Red Hazels Developments Limited	
Daniel Chaffer		Resigned on 24 February 2020
Jane McDonald		
Linda Whalley		
Janet Wilkinson	Chair of Appointments Committee & Remuneration Committee (from Sept 2019)	
Claire Harris		Appointed on 29 January 2020
Neil Matthewmam		Appointed on 29 January 2020 Resigned on 14 October 2020
Andrew Denton		Appointed on 22 April 2020
Michelle Wood		Appointed on 14 September 2020

Executive Officers:

Executive Officer	Position	Changes in the Year
Ian Pritchard	Chief Executive Officer	
Kirsty Muldoon	Director of People & Organisational Development	
Mark Bradshaw	Director of Finance & Performance	To 12 September 2019
Phillip Saxton	Director of Finance & Performance (Interim)	From 2 September 2019 to 10 February 2020
Chris Stephens	Director of Finance, Procurement, Estates & Risk	From 10 February 2020
Steven Porter	Director of Learning Disability	From 8 April 2019 to 24 February 2020
Christopher Hughes	Director of Mental Health	From 23 April 2019
Adrian Yates	Director of Corporate & Commercial Development (Interim)	From 7 January 2019 to 9 December 2019
Andrew Kendall	Director of Corporate & Commercial Development	From 9 December 2019

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

Company Information and Advisors:

Company Registration Numbers:	02679915 Companies House 1008587 Charity Commission
Registered and Principal Office:	Lion Court Kings Business Park Prescot Knowsley Merseyside L34 1BN
External Auditors:	RSM UK Audit LLP 20 Chapel Street Liverpool L3 9AG
Internal Auditors: (Resigned 31 March 2020)	RSM UK Audit LLP 20 Chapel Street Liverpool L3 9AG
Internal Auditors: (Appointed 17 April 2020)	Beever & Struthers St George's House 215-219 Chester Road Manchester M15 4JE
Investment Advisors:	Stanhope Consulting 35 Portman Square London W1H 6LR

Company Information and Advisors (continued):

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 2020**

The Trustees of Alternative Futures Group (AFG) present their report and audited financial statements for the year ended 31 March 2020. The Trustees have prepared this report under the Companies Act 2006, and in accordance with Financial Reporting Standard 102 (FRS 102) as applicable in the UK and Republic of Ireland, and the Statement of Recommended Practice (SORP) applicable to charities preparing their accounts in accordance with FRS 102.

Legal status

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

During the year the Group consisted of two legal entities:

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

The Directors of AFG are its Trustees for the purposes of charity law, and throughout this report they are collectively referred to as the Trustees. The Trustees who served throughout the year and up to the date of signing this report are listed on page 3.

Charitable Purpose

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

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

Corporate Plan: Mission, Values and objectives

AFG is one of the leading charitable providers of learning disability and mental health support services in the North West of England, changing lives and creating independence for the people it supports. We are proud that our accommodation and services improve the quality of life and independence for some 1,200 people.

Our Vision:	A world where people control their lives	
Our Mission:	Together with our people and partners we will unlock skills, gifts and talents to support everyone’s right to choose and achieve their aspirations	
Our Values:	<p>We are one</p> <p>We raise the bar</p> <p>Every person matters</p>	<p>We succeed together with a shared purpose and vision.</p> <p>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.</p> <p>We are people focused and value skills, gifts and potential. We listen. How people think and feel, matters. Everyone has a voice.</p>

**Alternative Futures Group Limited
Report of the Trustees and Strategic Report
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	We make a positive difference	We change lives. Our 'can do' attitude and passion enables people to be the best they can be.
	We take ownership	We do the right thing, are solution focused and get results. We are responsible for our behaviour and hold each other to account.

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

Principal Activities

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

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

For mental health, our services extend from short-term clinical rehabilitation support to people with long-term mental health issues in our seven independent hospitals, through to 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, including supported living (supporting people in their own homes to access their community and maintain their independence), and a range of other community models.

Person-centred care is at the core of our work. Providing personalised support and services appropriate to the aspirations and hopes for our customers' future growth and development as individuals means we are delivering personal support in terms of a life pathway – a pathway that continues to evolve as the support needs grow and change.

During 2019/2020, our non-residential care activity was wholly funded through contracts with Local Authorities, and our residential care activity was wholly funded through contracts with the NHS.

The Board continues to focus on strengthening the organisation financially and providing high quality services.

Red Hazels has been used primarily as a Property Company since its inception in 2015, to develop Tesito House, a Treatment & Recovery Centre in Manchester. Tesito House completed in 2017, and was subsequently transferred to AFG. Since then Red Hazels has been in a progressive dormant state with minimal financial transactions.

Public Benefit

Alternative Futures Group is a Public Benefit Entity. In accordance with our objectives and activities for 2019/20, 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 Board is led by the Chair, Chris Hannah and brings a range of professional, commercial and sector experience to the organisation.

The Board is responsible for determining the strategic direction and reviewing its operating and financial position. The Board is also responsible for establishing and overseeing the Group's control

**Alternative Futures Group Limited
Report of the Trustees and Strategic Report
For the year ended 31 March 2020**

and risk management frameworks and ensuring the Group 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 two 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. Trustee recruitment is supported by independent specialists where required. New Trustees receive an induction and training programme tailored to their needs, and regular Board development events are held to maintain skills. Annual assessments of performance for the Board, the Committees and individual Trustees are led by the Chair.

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

Board and Executive Officers Remuneration

The Chair of the Board receives remuneration from the Group, as well as reimbursement of expenses incurred. The remaining Trustees receive 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 is determined by the Board.

Board Committees

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

Audit & Risk Committee

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

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

Performance Committee

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

- all aspects of financial and operational performance compared to the strategic business plan;
- quality compliance of the services provided to service users; and
- treasury management and investment performance, including loan covenant compliance.

Appointments Committee

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

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

Remuneration Committee

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

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

**Alternative Futures Group Limited
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Salaries for Executive Officers are set having regard to each director's responsibilities and pay levels for comparable corporate positions.

Governance Code

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

Employees

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

We provide information to our employees throughout the year on AFG's objectives, progress and activities through regular team meetings, and 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 EES results had a lower than expected return rate of 36% but a high engagement score of 80% for this sample. The return rate was disappointing and in part due to the change from the previous years' paper-based survey to that of an on-line survey and the many issues that can raise. We will work harder in 2020 to ensure employee communication, support and access to the on-line process is much improved. Whilst the sample size was not significant to draw workforce wide trends, the positive nature of the sample was encouraging, and as normal action plans were created and executed at team and organisational level in response to the feedback.

The latter part of the year saw the start of the Covid-19 pandemic, the impact being felt throughout the 2020/21 financial year also. During the period the organisation has created an environment to ensure employees are able to work in accordance with guidelines established by the UK Government, the furlough scheme has been utilised, and appropriate supplies of personal protective equipment have been sourced and made available to employees. Additionally, the corporate employees of the organisation have worked and continue to work from home.

The Board is aware of its responsibilities on all matters relating to health and safety. The Group 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 Group's strategic objectives. The members of the Executive Team are shown on page 3.

Equality and Diversity

We are 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 Group.

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

Environmental and Social Impact

AFG takes an ethical, values based and sustainability 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

**Alternative Futures Group Limited
Report of the Trustees and Strategic Report
For the year ended 31 March 2020**

by our approach to service delivery, service development, and performance improvement. In addition we continue to develop engagement strategies with all our stakeholders, particularly our local communities, to increase capacity and social impact and to support communities to sustain them.

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. The calculation refers to all energy usage billed during the period, with the calculation including all months and all sites. The energy usage of the Charity for the year ended 31 March 2020 is 2.9m kWh (2.1m kWh of which relates to gas (Scope 1), 0.8m kWh of which relates to electricity (Scope 2)) which equates to greenhouse gas emissions of 1.4 tonnes of CO₂ emitted or 1,373 kWh per person employed on average across the financial year. There were no other material emissions as a result of the organisation's activities.

Energy saving initiatives include the proposed move towards LED lighting in our head office. Additionally, with the country entering into lockdown on 23 March 2020 so the head office staff of the organisation were required to work from home. A "home working" policy has been adopted by the organisation throughout the pandemic thereby reducing CO₂ emissions attributable to transportation, as well as minimising emissions associated with the head office of the organisation.

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 7. There were no other transactions with Trustees, and no connections between Trustees and Senior Managers have been disclosed during the year. Therefore, no related party transactions have been reported.

Service User Involvement and Engagement

As the organisation responds to the challenges facing the sector and continues to develop service models, the engagement of the people we support is increasingly important, both across AFG and in the community. Service User engagement is led by our local managers, who seek advice from local groups on how to increase their involvement and as well as exploring new methods of seeking feedback. The Service User Representative Forum (SURF) was established some years ago to ensure the views and opinions of the people we support are taken into account in the way our services are delivered.

Internal Control Assurance

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

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

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

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

Alternative Futures Group Limited
Report of the Trustees and Strategic Report
For the year ended 31 March 2020

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

Corporate Planning and Budgeting

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

The Group's annual budget was approved by the Board prior to the start of the 2019/20 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.

RSM Risk Assurance Services LLP were appointed as the Group's Internal Auditors from 14 June 2017 for a three-year period on an agreed upon procedures basis. The internal audit programme for 2019/20 generated recommendations for action, which have helped the Group to improve its internal control environment.

From April 2020 RSM resigned as AFG's Internal Audit provider due to the revision of the Ethics Standard preventing conflict of interest, therefore RSM are unable to provide a dual audit service.

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.

At every Board and Committee meeting, reports outlining the latest operational and financial results compared to the target for the year, and statutory compliance reports, are presented to enable the Board to maintain oversight of the Group's strategic performance and on-going compliance.

Engagement with suppliers, customers and others in a business relationship

Included within the strategic report on page 15-17 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.

**Alternative Futures Group Limited
Report of the Trustees and Strategic Report
For the year ended 31 March 2020**

STRATEGIC REPORT

Achievements, Performance & Public Benefit

During 2019/20 we have continued our focus on the key strategic objectives of:

- Financial stability and sustainability; and
- Business development and growth.

The Board continues to focus on strengthening the organisation financially and providing high quality services.

Financial stability

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

- Alternative Futures Group Limited achieved a deficit for the year, after interest and tax, of £2.05m (2019: £4.65m);
- Red Hazels Developments Limited made a deficit of £2,456 (2019: £726 deficit);
- Overall, the Group's reserves amount to £23.6m (2019: £25.6m).

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

Operating performance

The Group's operating margin for the year was -3.4% (2019: -7.7%), resulting in a deficit for the year of £2.1m (2019: £4.6m, £1.6m being attributable to impairment of Tesito House). The recurring deficit provides an indication of the on-going challenges of the social care sector in the UK, which continues to go through a period of sustained austerity, alongside an increasing cost base driven primarily by above inflation increases to National Living Wage. The key challenges that the Trustees have faced during the year include:

- maintaining income from our commissioners at a level which is sufficient to cover the increasing statutory costs of the National Living Wage;
- ongoing uncertainty around staff payments for sleep-ins - the Supreme Court has heard an appeal against the Mencap v Unison ruling, with judgement expected late quarter 1/early quarter 2 2021;

To help mitigate the impact of these issues the Trustees:

- embedded the divisional operating model the organisation moved to in 2018/2019 and centralised key support functions.
- Enhanced the previously developed cost model to ensure we are able to clearly articulate to commissioners the required income levels to enable us to provide appropriate levels of service to the people we support;
- continue to review and monitor the viability of contracts with our commissioners, positioning the organisation well as it moves into the contract renewal cycle;
- continued to "moth-ball" the Tesito House facility whilst we considered the commercial viability of the service, with the facility ultimately being disposed of in September 2020;
- 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: and
- look for opportunities both to deliver operational cost savings and to ensure capital assets no longer required are disposed of efficiently at market value.

The actions outlined above will maintain the financial viability of AFG and enable the organisation to continue to provide care for the people we support. It is anticipated that whilst the organisation will return to surplus in 2020/21, this will be heavily dependent upon capital gains arising from the disposal of assets with the underlying operating performance requiring ongoing attention to ensure the longer term viability of the charity.

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

Quarter 1 of 2020 saw the start of the growth of the COVID-19 pandemic, both across the globe and in the UK, with the country going into "lockdown" on the 23 March 2020. Whilst the impact on the organisation was not significant during the 2019/2020 financial year, the growth of the pandemic means that many organisations (including AFG), economies and health systems have been impacted across the globe subsequently. Actions taken by the organisation can be seen in the Strategic Risks section, with the impact also considered as part of the Going Concern review.

Business Development and Growth

During the year we developed our Learning Disability and Mental Health service strategies focused on delivering growth in both divisions over the next five years. For Learning Disability, the short-term focus areas are Transforming Care, Young People in Transition, Direct Payments, and new geographies. We will be bringing new offers to the market. For Mental Health we will consolidate our 'hub and spoke' model prior to taking this to new geographies.

During the year, we were successful in winning places on frameworks in Lancashire, Liverpool and Wigan which will all provide future opportunities. In late 2019 after a tender process, Tameside Council decided to award their Learning Disability work to other providers.

The Digital Strategy delivery plan for 2020/21 and into 2021/22 will see the organisation move forward in its implementation of:

- a replacement Finance & Procurement system;
- a new Care Management system; and
- a new Care Compliance system

The Digital Strategy will result in the continued modernisation of AFG's systems and processes, extending our reach to front line services with more real time management information.

Financial Review and Results

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

Defined Benefit Pension Funds

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

Treasury Management

The Group has a loan in place from Barclays. At the end of the financial year the total borrowings were £3.001m (2019: £3.343m). There were £0.34m of loan repayments made during the year (2019: £1.341m including an additional £1m repaid out of proceeds from the property disposal). The Group borrows only in sterling and does not have any currency risk.

Surplus cash is invested across a diversified portfolio of investments. At the end of the year the total listed investments amounted to £3.81m, with an unrealised loss on investment of £1.060m during the year, offset by realised gains of £0.722m. The funds held in investments are used to further the charitable purpose and public benefit. The return on investment was £0.155m (excluding cash) for the year.

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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 £15k (2019: (£2.032m)). The movement on financing activities on page 26 show the repayment of loans which amounted to £0.34m (2019: £1.34m). The most significant cash flow arises from the net liquidation of investments, £3.2m. The Group's cash balance at the end of the financial year was £3.556m (2019: £1.562m).

The Group ended the year with net current assets of £1.001m (2019: £2.235m).

Property Disposal

Whilst there were no property disposals during the financial year, three properties were disposed of between 31 March 2020 and the signing of the financial statements. Details of the disposals can be seen in Note 28 of the financial statements.

Achievement against 2019/20 Financial Key Performance Indicators

The key financial performance indicators for the year and targets for 2019/20 are set out below

Monthly KPIs	Target 2019/20	Actual 2019/20	Commentary
Debtor Days	<30	49	Above target due to payment delays from commissioners
Creditor Days	>30	39	Target Achieved
Level of Reserves (£m)	> £4.3m	£4m	Below target due to the deterioration in global stock markets due to COVID-19
Investment Income - Return %	3%	3.80%	Target Achieved
Investment Funds - Growth %	3%	-4.59%	Below target due to drawdown of £3.2m during the year
Gearing %	< 35%	12.70%	Target Achieved

Achievement against 2019/20 Non-Financial Key Performance Indicators

The key non-financial performance indicators for the year, and targets for 2019/20, are set out below:

KPI	Target	Actual
No. of People Supported	1200	1168
EES Response Rate	50%	36%
EES Engagement Score	80%	80%
Services rated "good" or "outstanding" by CQC	100%	90.9% (10/11)

Assets held on behalf of People that we Support

At 31 March 2020, AFG held funds of £14,610 (2019: £15,897) in its HSBC Bank Account, on behalf of people that we support, which are included in the balance sheet as both an Asset and as a Liability, and in note 15. AFG has no title to this money.

Additionally, AFG has corporate appointeeship responsibility for administering the personal funds of a number of people that we support. The appointeeship enables AFG to assist the people that we support with their financial planning and budgeting, supporting them to plan their own spending and

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living expenses, and helping them to claim the state benefits to which they are entitled.

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

Investments Policy and Performance

Under the Memorandum and Articles of Association, the Trustees are able to make any investments which they deem appropriate. Trustees appoint a qualified investment advisor to support their investment decisions, and the Performance Committee reviews the Group's Investment Policy annually. The Performance Committee have restricted investment into property and hedge funds each to 6% of the portfolio, and do not allow investment into private equities or commodities to minimise risk. The remainder of the portfolio is split between equities (55%) and bonds (35%).

Investment performance is reviewed annually against a total return target of 3% per annum. The Trustees were satisfied with the total return of 3.8% (2019:3.8%) achieved for the financial year. All investments have been made within the agreed policy.

Reserves Policy and Performance

Total funds held amount to £23,593k of which £1,542k is restricted, with the remaining £22,051k unrestricted. 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. Funds held in reserves not required for immediate use are invested in line with the Group's Investment Policy.

The Reserves Policy sets a minimum target of free reserves equivalent to £4.3m, which 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 free reserves at the end of the year was £4.0m which whilst below the minimum requirement, is as a consequence of the deterioration in global financial markets during the early part of the Covid-19 pandemic. When adjusting for Net Current Assets so the figure increases to £5.0m. The Trustees consider the level of free reserves held to be satisfactory.

Principal Risks and Uncertainties

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

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

Strategic Risk	Mitigating Actions being taken
Government policy does not provide adequate funding for Adult Social Care & Learning Disabilities. AFG contracts become financially unsustainable to provide quality care.	<ul style="list-style-type: none"> • The Chief Executive has engaged with Members of Parliament in the areas in which we operate. • Our Supported Living cost model has been shared with a number of commissioners to provide visibility re. rates required to achieve financial sustainability. • The organisation continues to closely monitor the financial viability of all commissioner contracts and will take appropriate actions as required.
AFG's clinical and care governance arrangements are not sufficient to achieve a minimum 'Good' CQC rating across all of the services provided	<ul style="list-style-type: none"> • Quality & Compliance function providing oversight of the support services provided by the Charity (At 31 March 2020 85.7% of AFG services rated good or better).

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Strategic Risk	Mitigating Actions being taken
The Supreme Court over-turns the Mencap vs Unison Sleep-In ruling, which leads to a back-pay liability of circa £2m (from January 2019 to March 2020), and on-going funding/viability issues for sleep-in shifts	<ul style="list-style-type: none"> • Partial mitigation with move to paying Support Workers variable rates for sleep-in shifts from April 2019 (Support Workers receive the amount paid by the commissioner, less AFG's costs); and • AFG Reserves Policy reflects the potential liability for back-dated sleep-in payments where not recoverable.
Coronavirus outbreak in the UK with a potential impact on both our employees and the people we support. A risk of significantly reduced workforce impacting our ability to deliver care.	<ul style="list-style-type: none"> • Strong management oversight (Both Executive and Operational); • Adherence to UK government guidelines re. social distancing, use of personal protective equipment and track and trace; • Restricting work-force movement and use of agency as appropriate; • Home working of all corporate staff; • Building work-force resilience/contingency through the enabling of corporate staff to provide front line support if required

Fraud

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

Directors' and Officers' Liability Insurance

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

Section 172 Statement

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

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

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

In discharging our duties, the following should be noted:

The likely consequence of any decision in the long term

Social Care continues to be underfunded year on year by the UK Government which puts significant strain on the provider sector. The much anticipated Social Care green paper has yet to materialise and now appears to be a fading ambition. To maintain a level of control against these significant

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market challenges and the subsequent impact of this with year on year erosion of the Charity's reserves, the Charity has been operating against an initial three year plan. This plan has formed the basis of a new five year strategy which will be launched by the organisation in April 2020. During the year the decision making of the Trustees has been made against the back-drop of this plan and the forthcoming future strategy. The Charity must seek to maintain control of its own survival and future despite the uncertainties and difficulties the market presents us. Our new strategy outlines the plan for this and informs the Trustees future decision making framework.

The interests of the Charity's employees

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

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

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

During the period both the Trustees and Executive engaged in 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. Whilst it has not been possible to undertake such Walkabouts during the Covid-19 pandemic, the Trustees are currently considering options that will enable a virtual alternative to this vital activity. The organisation held a successful service user "Fun Day" at our head office in June 2019. The event was attended by over 250 service users, staff, Trustees, suppliers, and commissioners to fantastic feedback. The organisation will seek to repeat the event in future years due to its positive impact on those who attended.

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). AFGs 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 so the organisation looks to resolve these issues promptly. The Executive continue to work closely with our regulators, 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.

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

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

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AFG are committed to being a socially-responsible organisation and delivering significant social value to communities and society in all our activity. In 2020, we will seek to publish our first social value statement as we aim to measure our social impact across all the Charities activities.

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 CO2 emissions for our corporate staff. We recycle 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.

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

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

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

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

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

The need to act fairly between beneficiaries of the Charity

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

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

Future Plans - Our 2020/21 Objectives

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

In 2019/20 we delivered a business plan that prepared the foundations for the launch of our 5-year strategic plan. We standardised, optimised and streamlined our operations and corporate services as we responded to the critical financial challenges within our marketplace. In addition, we also began the work to build the cultural foundations of a new mindset, philosophy and leadership style that would set a new tone for the organisation to achieve its financial sustainability and longer-term ambitions.

For 2020/21, we continue the great progress we made in 2019/20 but we commence the first year of implementing our 5-year strategic plan. For the forthcoming year we aim to "protect, partner and pioneer" as we look to the future and begin to build the new organisational capabilities that we need to be successful. However, at the time of writing, the Covid-19 pandemic is centre stage and represents the largest single risk to the organisation in 2020/21. The organisation has plans in place, such plans evolving to take account of the changing nature of the pandemic, thereby ensuring we continue to deliver a high quality service in these unprecedented times. Nonetheless, the

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unknown nature of this threat, its duration and its wider impact presents a significant challenge to the organisation as will the uncertain support from both central Government and Local Commissioners for both financial aid and infection control provision (PPE).

The organisation's priorities and plans for 2020/21 will therefore remain under constant review with the Board during the forthcoming period. The Board will maintain a state of readiness in order to respond and adapt to the emerging risks, needs and requirements of the Covid-19 threat.

Auditors

A resolution to re-appoint RSM UK Audit LLP as the Group's external auditors for 2020/21 will be proposed at the Board Meeting 10 February 2021.

Going Concern

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

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

Despite the development of a number of vaccines, at the time of reporting the pandemic continues to impact the day to day operations of the Charity, and whilst some funding has been received from commissioners and the Government, it still faces ongoing costs relating to the pandemic.

In considering the appropriateness of the going concern assumption, Income & Expenditure and Cash-flow projections have been prepared for a period of 12 months from the date of signing of the financial statements. As part of this exercise consideration is given to the reasonableness of the key assumptions underpinning the financial statements. As at 31 March 2020 the Charity reported a cash balance of £3.6m and liquid investments of £3.8m. Since the 31 March 2020 trading performance continues to remain stable and the liquidity of the Charity has benefited from the disposal of three of its properties, enabling the Charity to settle the loan facility it had in place with Barclays Bank Plc and improve its cash position.

The Charity is confident it has sufficient cash and liquid investments to continue its operational activities for the foreseeable future.

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.

Alternative Futures Group Limited
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For the year ended 31 March 2020

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 10 February 2021 and signed on its behalf by:

Chris Hannah.

Chris Hannah
Chair – Alternative Futures Group
10 February 2021

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') and its subsidiary (the 'group') for the year ended 31st March 2020, which comprise the consolidated Statement of Financial Activities (including the Consolidated Income and Expenditure Account), the Consolidated Balance Sheet, the Company Balance Sheet, the Consolidated Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including 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 2020 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

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

- the Trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or parent charitable company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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 18, 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.

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

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.

RSM UK Audit LLP

Anna Spencer-Gray (Senior Statutory Auditor)

For and on behalf of RSM UK AUDIT LLP, Statutory Auditor
Chartered Accountants
14th Floor
20 Chapel Street
Liverpool
L3 9AG

Date: 12.2.21

Alternative Futures Group Limited
Consolidated Statement of Financial Activities (including Consolidated Income & Expenditure Account)
For the year ended 31 March 2020

	Note	Unrestricted funds £000	Restricted funds £000	Total 2020 £000	Unrestricted funds £000	Restricted funds £000	Total 2019 £000
Income							
Charitable activities	1	60,653	0	60,653	59,953	0	59,953
Investments	2	155	0	155	249	0	249
Total income		60,808	0	60,808	60,202	0	60,202
Expenditure on:							
Charitable activities (including exceptional costs amounting to £28,320 (2019 £1,579,000))	3 & 4	62,482	35	62,517	64,877	43	64,920
Raising funds		50	-	50	34	0	34
Total expenditure		62,532	35	62,567	64,911	43	64,954
Net (Loss) / Gain on investments	12	(338)	0	(338)	103	0	103
Net(expense)		(2,062)	(35)	(2,097)	(4,606)	(43)	(4,649)
Transfers							
Gross transfers between funds		-	-	-	439	(439)	0
Net (expenses)/ income before other recognised gains and losses		(2,062)	(35)	(2,097)	(4,167)	(482)	(4,649)
Other recognised gains / (losses)							
Actuarial gain on defined benefit pension scheme	22	159	-	159	132	0	132
Movement in pension scheme asset derecognised	22	(114)	-	(114)	(88)	0	(88)
Total other recognised gains and (losses)		45	-	45	44	0	44
Net movement in funds		(2,017)	(35)	(2,052)	(4,123)	(482)	(4,605)
Reconciliation of funds							
Total funds brought forward		24,069	1,577	25,646	28,192	2,059	30,251
Total funds carried forward		22,052	1,542	23,594	24,069	1,577	25,646

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 2020

Company No: 02679915
Charity No: 1008587

	Note	2020	2019
		£000	£000
Fixed assets			
Intangible assets	9	1,276	1,291
Tangible assets	10	17,306	17,964
Investments	12	4,010	7,151
		<u>22,592</u>	<u>26,406</u>
Current assets			
Stocks	13	8	8
Debtors	14	5,463	6,370
Cash in hand and at bank		3,556	1,562
		<u>9,027</u>	<u>7,940</u>
Current liabilities			
Creditors: amounts falling due within one year	15	(8,026)	(5,705)
Net current assets		<u>1,001</u>	<u>2,235</u>
Total assets less current liabilities		<u>23,593</u>	<u>28,641</u>
Creditors: amounts falling due after more than one year	16	0	(2,995)
Total net assets		<u><u>23,593</u></u>	<u><u>25,646</u></u>
Funds:			
Unrestricted funds	18	22,051	24,069
Restricted funds		1,542	1,577
		<u><u>23,593</u></u>	<u><u>25,646</u></u>

The financial statements were approved and authorised for issue by the Board of Trustees on 10 February 2021, and signed on their behalf by:

Chris Hannah.

Chris Hannah – Chair

Alternative Futures Group Limited
Company Balance Sheet
As at 31 March 2020

Company No: 02679915
Charity No: 1008587

	Note	2020	2019
		£000	£000
Fixed assets			
Intangible assets	9	1,276	1,291
Tangible assets	10	17,407	18,065
Investments in subsidiary	11	0	0
Investments	12	4,010	7,151
		<u>22,693</u>	<u>26,507</u>
Current assets			
Stocks	13	8	8
Debtors	14	5,463	6,370
Cash in hand		3,556	1,562
		<u>9,027</u>	<u>7,940</u>
Creditors: amounts falling due within one year	15	(7,917)	(5,599)
Net current assets		<u>1,110</u>	<u>2,341</u>
Total assets less current liabilities		<u>23,803</u>	<u>28,848</u>
Creditors: amounts falling due after more than one year	16	0	(2,995)
Total net assets		<u>23,803</u>	<u>25,853</u>
Funds:			
Unrestricted funds	18	22,261	24,276
Restricted funds		1,542	1,577
		<u>23,803</u>	<u>25,853</u>

The entity has taken the exemption from presenting its unconsolidated income and expenditure account under section 408 of the Companies Act 2006. The unconsolidated loss in relation to the company for the year was (£2,049,000) (2019: loss £4,649,000).

The financial statements were approved and authorised for issue by the Board of Trustees on 10 February 2021, and signed on their behalf by:

Chris Hannah.

Chris Hannah – Chair

Alternative Futures Group Limited
Consolidated Statement of Cash Flows
For the year ended 31 March 2020

	Notes	2020 £000	2019 £000
Cash flows used in operating activities	20	15	(2,032)
Net cash used in operating activities		15	(2,032)
Investing activities			
Purchase of fixed assets		(481)	(960)
Proceeds from sale of fixed assets		0	2,930
Purchase of investments		(1,439)	(1,075)
Proceeds from sale of investments		4,242	3,053
Net cash generated from investing activities		2,322	3,948
Financing activities			
Repayments of bank loans		(343)	(1,341)
Net cash (used in) financing activities		(343)	(1,341)
Net (increase) in cash and cash equivalents		1,994	575
Cash and cash equivalents at beginning of year		1,562	987
Cash and cash equivalents at end of year		3,556	1,562
Relating to			
Cash at bank and in hand		3,556	1,562

Analysis of changes in net debt

	At 1 April 2019 £000	Cashflows £000	Movement from long term to Short term £000	At 31 March 2020 £000
Cash and cash equivalents				
Cash	1,562	1,994	-	3,556
Overdrafts	-	-	-	-
Total	1,562	1,994	-	3,556
Borrowings				
Debt due within one year	(348)	342	(2,995)	(3,001)
Debt due after one year	(2,995)	-	2,995	-
Total	(3,343)	342	-	(3,001)

**Alternative Futures Group Limited
Notes to the Financial Statements
For the year ended 31 March 2020**

ACCOUNTING POLICIES

General Information

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

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

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

Basis of Preparation

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

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

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

Reduced Disclosure Exemption

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

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

Going Concern

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

As part of this review the Group has prepared detailed financial forecasts looking forward 12 months from the date of signature of the financial statements. As part of this exercise consideration is given to the reasonableness of the key assumptions underpinning the financial forecasts. As at 31 March 2020 the Charity reported a cash balance of £3.6m and liquid investments of £3.8m. Since 31 March 2020, trading performance continues to remain stable and the liquidity of the Charity has benefited from the disposal of three of its properties, enabling the Charity to settle the loan facility it had in place with Barclays Bank Plc and improve its cash position.

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

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

**Alternative Futures Group Limited
Notes to the Financial Statements
For the year ended 31 March 2020**

ACCOUNTING POLICIES (CONTINUED)

Basis of Consolidation

The consolidated financial statements incorporate those of Alternative Futures Group Limited and of its subsidiary, Red Hazels Developments Limited (i.e. 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 2020.

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.

Benefits and other income from charitable activities

Benefits and other charitable income is the total amount receivable by the company, after determination by outside agencies and consideration of an individual's entitlement.

Investment income

Investment income is recognised on a receivable basis.

Expenditure

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

Charitable expenditure

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

Support costs

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

Other expenditure

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

ACCOUNTING POLICIES (CONTINUED)

Intangible Fixed Assets Including Goodwill and Software

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

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

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

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

Tangible Fixed Assets and Depreciation

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

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

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

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

Impairment of Fixed Assets

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

ACCOUNTING POLICIES (CONTINUED)

Investments

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

Stock

Stock relates to catering supplies held at the year-end in the Treatment & Recovery Centres. Stocks are stated at the lower of cost and net realisable value, on a first-in first-out basis.

Financial Instruments

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

Debtors

Trade and other debtors are recognised at the amount invoiced, with the Charity carrying a doubtful debt provision, the provision being based on the age of the debt. Prepayments are valued at the amount prepaid net of any trade discounts due.

Cash at Bank and In Hand

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

Creditors

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

Retirement Benefits - Pension Schemes

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

- The National Health Service (NHS) Superannuation Scheme in respect of certain employees who have the benefit of existing membership of the scheme by virtue of their NHS employment. The NHS Scheme is an unfunded final salary scheme operated by the National Health Service. The contributions are calculated so as to spread the cost of pensions over employees' working lives, whilst they remain in qualifying employment, in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of periodic valuations, and any deficit is underwritten by the Treasury. The scheme is not designed to be run in a way that would enable employers of eligible employees to identify their share of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as if it were a defined contributions scheme; the amount charged against profits represents the contributions to the scheme.
- A stakeholder pension scheme, for certain senior members of staff, at a contribution rate of up to 14% of annual basic pay. The amount charged to the Statement of Financial Activities in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the

Alternative Futures Group Limited
Notes to the Financial Statements
For the year ended 31 March 2020

year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

- Two defined benefit pension schemes in respect of admissions of staff as a result of TUPE transfers are funded by the participating employees and employers in the scheme. Current service costs, past service costs and gains and losses on settlements and curtailments are charged to the income and expenditure account. When a settlement (eliminating all obligations for benefits already accrued) or a curtailment (reducing future obligations as a result of a material reduction in the scheme membership or a reduction in future entitlement) occurs, the obligation and related plan assets are re-measured using current actuarial assumptions and the resultant gain or loss is recognised in the income and expenditure account during the period in which the settlement or curtailment occurs.

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

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

Retirement Benefits - Pension Schemes

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.

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.

ACCOUNTING POLICIES (CONTINUED)

Critical Accounting Estimates and Areas of Judgement

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

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

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

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

- Management make judgements on an annual basis on as to whether any properties are impaired. During the year management have not obtained valuations on the properties of the organisation, with the view of management being there has been no material change in the status of its properties when compared with that noted in the previous financial year.
- The head office property (Lion Court) continues to be valued below the net book value, however, given there has been no change in service potential of the building, management have determined that no impairment is required in respect of this property as its value in use to the charity exceeds its valuation
- Management have assessed that given the ageing of some of the debt of the Charity, there is a need for a credit note provision to be established. The provision established arises as a consequence of invoice errors, such errors dating back a number of financial years.

Alternative Futures Group Limited
Notes to the Financial Statements
For the year ended 31 March 2020

1 CHARITABLE ACTIVITIES INCOME

	2020 £000	2019 £000
Supported living services	50,450	49,268
Independent Hospitals	10,203	10,685
	<u>60,653</u>	<u>59,953</u>

All income in the current and prior year was unrestricted

2 INVESTMENT INCOME

	2020 £000	2019 £000
Dividends – UK equity	74	112
Dividends – Overseas equities	24	31
Dividends – other	21	44
Interest – UK fixed interest securities	25	55
Interest on cash deposits	11	7
	<u>155</u>	<u>249</u>

All current and prior year income was unrestricted.

3 ANALYSIS OF EXPENDITURE ON CHARITABLE ACTIVITIES

	Direct staff costs £000	Direct non-staff costs £000	Operational Management Support costs £000	Corporate Support costs £000	2020 £000	2019 £000
Provision of support and care						
Supported living	45,314	554	2,727	4,584	53,179	51,172
Independent Hospitals	4,753	2,970	558	939	9,220	13,639
Adult Care Homes	0	0	0	0	0	22
Adult Care Homes with Nursing	0	118	0	0	118	87
Total charitable activities	<u>50,067</u>	<u>3,642</u>	<u>3,285</u>	<u>5,523</u>	<u>62,517</u>	<u>64,920</u>

Alternative Futures Group Limited
Notes to the Financial Statements
For the year ended 31 March 2020

3 ANALYSIS OF EXPENDITURE ON CHARITABLE ACTIVITIES (CONTINUED)

	Unrestricted	Restricted	2020	Unrestricted	Restricted	2019
	£000	£000	£000	£000	£000	£000
Provision of support and care						
Supported living	53,179	0	53,179	51,170	2	51,172
Independent Hospitals	9,185	35	9,220	13,616	23	13,639
Adult Care Homes	0	0	0	15	7	22
Adult Care Homes with Nursing	118	0	118	76	11	87
Total charitable activities	62,482	35	62,517	64,877	43	64,920

4 EXCEPTIONAL ITEMS

	2020	2019
	£000	£000
Impairment of properties within Tangible Assets	-	1,612
Staff Costs, including redundancy, taxes and pensions	28	31
Recruitment Fees	-	38
Profit on sale of assets	-	(102)
	28	1,579

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

5 ANALYSIS OF GOVERNANCE AND SUPPORT COSTS

	2020	Restated 2019
	£000	£000
OPERATIONAL SERVICE SUPPORT COSTS		
Operational Support / CQC Registered Addresses / Regional Offices	334	2,859
Operational Management / Workforce Planning / Rostering	835	1
Operational Services ICT Infrastructure	890	595
Operational Services Learning & Development Costs	928	549
Operational Services Quality Support Costs	298	203
	3,285	4,207

Alternative Futures Group Limited
Notes to the Financial Statements
For the year ended 31 March 2020

5 ANALYSIS OF GOVERNANCE AND SUPPORT COSTS
(CONTINUED)

	2020 £000	2019 £000
CORPORATE SUPPORT COSTS		
Financial, Transaction & Reporting, Banking & Audit Costs	532	541
HR & Recruitment Costs	1,208	1,054
ICT, Software Licencing, Depreciation and Support Desk	1,452	970
Insurance Costs	504	501
Governance & Administration	915	895
Risk & Assurance	160	169
Premises Running Costs	422	397
Legal Fees	110	57
Chief Executive Department	220	216
	<u>5,523</u>	<u>4,800</u>

During the year the organisation has undertaken a review of its cost base to ensure costs are appropriately reported as either Operational or Corporate costs. Prior year data has been re-stated for comparative purposes

Governance costs include internal audit fees of £54,479 (2019: £41,686) and external audit fees of £60,503 (2018: £71,670), Trustee development £1,405 (2019: £Nil), and Trustee indemnity insurance £8,452 (2019: £8,452).

Staff costs included within support costs amount to £5,269,144 (2019: £5,611,575).

6 NET EXPENDITURE FOR THE YEAR

This is stated after charging:

	2020 £000	2019 £000
Operating lease rentals	183	274
Depreciation and amortisation:		
Intangible fixed assets, owned	206	31
Tangible fixed assets, owned	948	1,106
Bank interest payable on bank loan	75	97
Auditor's remuneration:		
- audit fees	60	72
- consultancy fees	8	1
- accountancy services	0	0
- internal audit fees	54	42
	<u>1,424</u>	<u>1,623</u>

Alternative Futures Group Limited
Notes to the Financial Statements
For the year ended 31 March 2020

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

Staff costs during the year were as follows:

	2020	2019
Group	£000	£000
Wages and salaries	50,649	51,007
Social security costs	3,423	3,686
Employer pension costs – operating cost in respect of DB Schemes	64	80
Employer pension costs – costs of contributions paid to DC schemes	1,200	941
Redundancy payments	28	31
	<u>55,364</u>	<u>55,745</u>
	2020	2019
Company	£000	£000
Wages and salaries	50,649	50,998
Social security costs	3,423	3,685
Employer pension costs – operating cost in respect of DB Schemes	64	80
Employer pension costs – costs of contributions paid to DC schemes	1,200	940
Redundancy payments	28	31
	<u>55,364</u>	<u>55,734</u>

In response to the cost pressures placed upon the organisation and the move to a divisional model, a restructuring plan was put in place, under which a number of roles were made redundant giving rise to a £28,320 (2019 £30,673) cost in the year.

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

	2020	2019
	No of employees	
£60,001 to £70,000	2	3
£70,001 to £80,000	-	2
£80,001 to £90,000	-	3
£90,001 to £100,000	-	1
£100,001 to £110,000	2	-
£110,001 to £120,000	1	-
£130,001 to £140,000	-	1
£150,001 to £160,000	1	-
	<u>6</u>	<u>10</u>

Alternative Futures Group Limited
Notes to the Financial Statements
For the year ended 31 March 2020

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

The key management personnel of the charity comprise the executive team and regional directors. Total cost to the charity for employee benefits of the key management personnel of the Group was £831,426 (2019 £1,022,520).

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

	2020	2019
	£000	£000
Pension contributions to money purchase schemes	977	666
Pension contributions to defined benefit schemes	224	275
	<u>1,201</u>	<u>941</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:

	2020	2019
	No of employees	
Money Purchase Schemes	1,612	1,803
Defined Benefit Schemes	98	110
	<u>1,710</u>	<u>1,913</u>

During the year four higher paid employees (2019: eight) participated in a money purchase pension scheme. Employer contributions for the higher paid employees were £39,685 (2019: £73,196).

No higher paid employees (2019: Nil) are accruing retirement benefits under the NHS Superannuation Scheme, a final salary scheme administered by the charity under the terms of a NHS Direction Order. Contributions paid in the year were £Nil (2019: £ Nil).

Two of the higher paid employees (2019: two) do not participate in a pension scheme.

The Chair of the Board of Trustees received remuneration in the year of £15,000 (2019: £15,000), as allowed in the Memorandum and Articles of Association and agreement from the Charity Commission in June 2011. The Chair received no pension contributions during the year (2019: £ Nil).

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. Travelling expenses of £1,405 (2019: £1,114) were reimbursed to three (2019: four) Trustees in the year.

Alternative Futures Group Limited
Notes to the Financial Statements
For the year ended 31 March 2020

8 STAFF NUMBERS

Group

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

	2020	2019
	No of employees	
Management and Operational Care and Support Staff	2,070	2,455
Governance and administration of the charity	9	10
	<u>2,079</u>	<u>2,465</u>

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

	2020	2019
	No of employees	
Management and Operational Care and Support Staff	1,818	1,987
Governance and administration of the charity	9	10
	<u>1,827</u>	<u>1,997</u>

During the year 2020 Red Hazels Developments Ltd did not have any employees.

9 INTANGIBLE ASSETS

Group and Company

	Capitalised development costs £000	Software £000	Goodwill £000	Total £000
Cost				
As at 1 April 2019	938	442	1,300	2,680
Additions	26	165	-	191
Asset transfer	(916)	916	-	-
As at 31 March 2020	<u>48</u>	<u>1,523</u>	<u>1,300</u>	<u>2,871</u>
Amortisation				
As at 1 April 2019	-	89	1,300	1,389
Provided in the year	-	206	-	206
As at 31 March 2020	<u>0</u>	<u>295</u>	<u>1,300</u>	<u>1,595</u>
Net book amount at 31 March 2020	<u>48</u>	<u>1,228</u>	<u>-</u>	<u>1,276</u>
Net book amount at 31 March 2019	<u>938</u>	<u>353</u>	<u>-</u>	<u>1,291</u>

Alternative Futures Group Limited
Notes to the Financial Statements
For the year ended 31 March 2020

Capitalised development costs asset transfer relates to the go live of the new payroll and human resources systems. The residual balance of capitalised development costs relates to the new finance system as it progresses through the design, configuration and testing phases. No amortisation has been charged in relation to these assets until they are available for use. The new human resources and payroll systems went live from 1 April 2019 and are included in the asset transfer.

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

10 TANGIBLE FIXED ASSETS
Group

	Freehold land and buildings £000	Furniture and equipment £000	Total £000
Cost			
As at 1 April 2019	23,782	5,780	29,562
Additions	170	120	290
As at 31 March 2020	<u>23,952</u>	<u>5,900</u>	<u>29,852</u>
Depreciation and Impairment			
As at 1 April 2019	7,546	4,052	11,598
Provided in the year	478	470	948
As at 31 March 2020	<u>8,024</u>	<u>4,522</u>	<u>12,546</u>
Net book amount at 31 March 2020	<u>15,928</u>	<u>1,378</u>	<u>17,306</u>
Net book amount at 31 March 2019	<u>16,236</u>	<u>1,728</u>	<u>17,964</u>

The cost of land held within freehold land and buildings amounts to £4,522,357 (2019: £4,522,357) and is not depreciated.

Included within freehold land and buildings above are two (2019: two) properties under long leaseholds of net book value £6,856,372 (2019: £7,020,431) and associated leasehold improvements on these properties amounting to £210,492 (2019: £292,374)

The bank loan from Barclays referred to in Note 15 is secured by way of legal charges over four (2019: four) properties with net book value of £5,147,488 (2019: £5,228,974) included within the total fixed asset cost.

Alternative Futures Group Limited
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10 TANGIBLE FIXED ASSETS (CONTINUED)

Company	Freehold land and buildings £000	Furniture and equipment £000	Total £000
Cost			
As at 1 April 2019	23,884	5,779	29,663
Additions	170	120	290
As at 31 March 2020	<u>24,054</u>	<u>5,899</u>	<u>29,953</u>
Depreciation			
As at 1 April 2019	7,546	4,052	11,598
Provided in the year	478	470	948
As at 31 March 2020	<u>8,024</u>	<u>4,522</u>	<u>12,546</u>
Net book amount at 31 March 2020	<u>16,030</u>	<u>1,377</u>	<u>17,407</u>
Net book amount at 31 March 2019	<u>16,338</u>	<u>1,727</u>	<u>18,065</u>

11 INVESTMENTS IN SUBSIDIARY

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

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

Alternative Futures Group Limited
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11 INVESTMENTS IN SUBSIDIARY (CONTINUED)

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

	2020 £000	2019 £000
Turnover	0	0
Expenditure, including Interest paid and received	3	15
(Loss)/Profit for the financial year	(2)	(1)
Total Assets	0	0
Total (Liabilities)	(108)	(106)
Equity at end of year	(108)	(106)

12 FIXED ASSET INVESTMENTS

Movement in fixed assets investments

	Group		Company	
	2020 £000	2019 £000	2020 £000	2019 £000
Fixed asset investments held for return:				
Listed investments	3,810	6,951	3,810	6,951
Investment properties	200	200	200	200
	<u>4,010</u>	<u>7,151</u>	<u>4,010</u>	<u>7,151</u>

	Group		Company	
	2020 £000	2019 £000	2020 £000	2019 £000
Listed investments				
Fair value brought forward	6,951	8,826	6,951	8,826
Additions to investments at cost	1,439	1,075	1,439	1,075
Disposal at carrying value	(4,242)	(3,053)	(4,242)	(3,053)
Changes in fair value	(338)	103	(338)	103
Fair value carried forward	<u>3,810</u>	<u>6,951</u>	<u>3,810</u>	<u>6,951</u>
Historical cost at 31 March	3,824	6,361	3,824	6,361

Listed investments at fair value comprised:

	Group		Company	
	2020 £000	2019 £000	2020 £000	2019 £000
Equities – UK	1,165	2,138	1,165	2,138
Equities – Overseas	1,204	2,053	1,204	2,053
Fixed interest securities – UK	1,234	2,320	1,234	2,320
Property – UK	207	440	207	440
Cash held for investment	0	0	0	0
Fair value carried forward	<u>3,810</u>	<u>6,951</u>	<u>3,810</u>	<u>6,951</u>

Alternative Futures Group Limited
Notes to the Financial Statements
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12 FIXED ASSET INVESTMENTS (CONTINUED)

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

	£'000
iShares Index Linked	463
Rathbone Ethical Bond	343
Troy Trojan	342
Baillie Gifford International	289
Evenlode Income	277
Artemis Income	270
M&G Corporate Bond	259
M&G Charifund	253
Hermes Emerging Markets	226
Sarasin Global Higher Dividend	225

Investment properties held at the year-end comprise of The Newlands building valued at £200,000 (2019: £200,000). A professional valuation was undertaken by CBRE Limited in July 2019 and the building was valued at £210,000. Trustees consider the current value of £200,000 to be appropriate and not materially different to the latest valuation. The property is valued on a fair value basis with consideration to the value of similar properties in the area. Trustees are of the opinion that market value of The Newlands has not changed significantly since the previous financial reporting date. The Newlands Building was sold on 28 October 2020 see note 28.

13 STOCK

	Group		Company	
	2020 £000	2019 £000	2020 £000	2019 £000
Food products	8	8	8	8
	<u>8</u>	<u>8</u>	<u>8</u>	<u>8</u>

There were no stock write downs in the current or preceding year.

14 DEBTORS

	Group		Company	
	2020 £000	2019 £000	2020 £000	2019 £000
Trade debtors	3,615	4,755	3,615	4,755
Amounts owed from group	0	0	0	0
Prepayments	38	146	38	146
Accrued income	1,798	1,409	1,798	1,409
Other	12	60	12	60
	<u>5,463</u>	<u>6,370</u>	<u>5,463</u>	<u>6,370</u>

Trade debtors are stated after a bad debt provision of £ 1,440,000 (2019: £ Nil).

Alternative Futures Group Limited
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15 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2020	2019	2020	2019
	£000	£000	£000	£000
Bank loans and overdraft	3,001	348	3,001	348
Trade creditors	1,039	1,155	1,039	1,155
Accruals and deferred income	2,707	2,450	2,598	2,344
Social security and other taxes	840	902	840	902
Other creditors	439	850	439	850
	<u>8,026</u>	<u>5,705</u>	<u>7,917</u>	<u>5,599</u>

The bank loan from Barclays is secured by way of legal charges over four (2019: four) properties included within the total fixed asset cost within Note 10.

The bank loan carries interest rate at 1.59% above LIBOR, and is being repaid at £85,000 per quarter, with the final balancing payment due in November 2020. Following the sale of the Tesito House facility in September 2020, the loan was settled with Barclays in full.

Included in other creditors is an amount of £198,772 (2019: £144,493) due to pension schemes which was paid subsequent to the year end.

Deferred Income at the end of the year was £666,324 (2019: £640,830) of which £78,634 (2019: £108,261) related to timing of invoices raised around year-end, and the other £587,690 (2019: £532,569) related to invoices in query. Income deferred in the current year was £487,630 and amounts released from prior year was £462,136.

16 CREDITORS DUE AFTER ONE YEAR

	Group		Company	
	2020	2019	2020	2019
	£000	£000	£000	£000
Bank loan and overdraft	0	2,995	0	2,995
	<u>0</u>	<u>2,995</u>	<u>0</u>	<u>2,995</u>

17 FINANCIAL INSTRUMENTS

Financial assets:	2020	2019
	£000	£000
Debt instruments measured at amortised cost	5,425	6,224
Instruments measured at fair value through profit or loss	3,810	6,951
	<u>9,235</u>	<u>13,175</u>
Financial liabilities:		
Measured at amortised cost	6,520	7,157
	<u>6,520</u>	<u>7,157</u>

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18 MOVEMENT IN FUNDS

GROUP

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

COMPANY

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

Purpose of Restricted Fund

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

Purpose of Unrestricted Fund

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

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18 MOVEMENT IN FUNDS (CONTINUED)

PRIOR YEAR MOVEMENT IN FUNDS

GROUP

	At 1 April 2018	Income	Expenditure	Gain on investment assets	Pension	Gross transfers between funds	At 31 March 2019
	£000	£000	£000	£000	£000	£000	£000
Unrestricted funds:							
Unrestricted funds	28,192	60,202	(64,911)	103	44	439	24,069
Restricted funds: gifted properties	2,059	0	(43)	0	0	(439)	1,577
Total funds	<u>30,251</u>	<u>60,202</u>	<u>(64,954)</u>	<u>103</u>	<u>44</u>	<u>0</u>	<u>25,646</u>

COMPANY

	At 1 April 2018	Income	Expenditure	Gain on investment assets	Pension	Gross transfers between funds	At 31 March 2019
	£000	£000	£000	£000	£000	£000	£000
Unrestricted funds:							
Unrestricted funds	28,399	60,202	(64,911)	103	44	439	24,276
Restricted funds: gifted properties	2,059	0	(43)	0	0	(439)	1,577
Total funds	<u>30,458</u>	<u>60,202</u>	<u>(64,954)</u>	<u>103</u>	<u>44</u>	<u>0</u>	<u>25,853</u>

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19 ANALYSIS OF NET ASSETS BETWEEN FUNDS

Fund balances at 31 March 2020 are represented by:

GROUP	Unrestricted funds £000	Restricted funds £000	2020 £000
Intangible fixed assets	1,276	-	1,276
Tangible fixed assets	15,764	1,542	17,306
Investments	4,010	-	4,010
Current assets	9,027	-	9,027
Current liabilities	(8,026)	-	(8,026)
Long term liabilities	-	-	-
	<u>22,051</u>	<u>1,542</u>	<u>23,593</u>
Net assets	22,051	1,542	23,593
	<u><u>22,051</u></u>	<u><u>1,542</u></u>	<u><u>23,593</u></u>
COMPANY	Unrestricted funds £000	Restricted funds £000	2020 £000
Intangible fixed assets	1,276	-	1,276
Tangible fixed assets	15,865	1,542	17,407
Investments	4,010	-	4,010
Current assets	9,027	-	9,027
Current liabilities	(7,917)	-	(7,917)
Long term liabilities	-	-	-
	<u>22,261</u>	<u>1,542</u>	<u>23,803</u>
Net assets	22,261	1,542	23,803
	<u><u>22,261</u></u>	<u><u>1,542</u></u>	<u><u>23,803</u></u>

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19 ANALYSIS OF NET ASSETS BETWEEN FUNDS (CONTINUED)

Fund balances at 31 March 2019 are represented by:

GROUP	Unrestricted funds £000	Restricted funds £000	2019 £000
Intangible fixed assets	1,291	0	1,291
Tangible fixed assets	16,387	1,577	17,964
Investments	7,151	0	7,151
Current assets	7,940	0	7,940
Current liabilities	(5,705)	0	(5,705)
Long term liabilities	(2,995)	0	(2,995)
Net assets	<u>24,069</u>	<u>1,577</u>	<u>25,646</u>

COMPANY	Unrestricted funds £000	Restricted funds £000	2019 £000
Intangible fixed assets	1,291	0	1,291
Tangible fixed assets	16,488	1,577	18,065
Investments	7,151	0	7,151
Current assets	7,940	0	7,940
Current liabilities	(5,599)	0	(5,599)
Long term liabilities	(2,995)	0	(2,995)
Net assets	<u>24,276</u>	<u>1,577</u>	<u>25,853</u>

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20 RECONCILIATION OF NET OUTGOING RESOURCES TO NET CASH OUTFLOW FROM CONSOLIDATED OPERATING ACTIVITIES

	2020 £000	2019 £000
Net expenditure	<u>(2,097)</u>	<u>(4,649)</u>
Adjustments for:		
(Profit) on disposal of tangible assets	0	(102)
Loss / (Gains) on investments	338	(103)
Amortisation charges	206	31
Depreciation charges	948	1,106
DB Scheme costs less contributions payable	67	66
DB Scheme net Finance cost/(income)	(22)	(22)
Impairment of Tangible Fixed Assets	0	1,612
	<u>(560)</u>	<u>(2,061)</u>
Movements in working capital:		
(Increase) / decrease in stock	0	(1)
(Increase) / decrease in debtors	907	(727)
(Decrease) / increase in creditors	(332)	757
	<u>15</u>	<u>(2,032)</u>
Net cash generated by/ (used in) operating activities	<u><u>15</u></u>	<u><u>(2,032)</u></u>

21 CAPITAL COMMITMENTS

The charity had total capital commitments of £42,422 at 31 March 2020 (2019: £234,523). Capital commitments in respect of intangible assets were £Nil (2019: £89,332). Capital commitments in respect of tangible assets were £40,422 (2019: £145,191).

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 2019 to 31 March 2020 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 2020 are based on the last full actuarial valuations as at 31 March 2016 and updated to 31 March 2020, and include the pension schemes in aggregate.

Overall assumptions:

	Total of pension schemes 2020	Total of pension schemes 2019
Key assumptions used:	%	%
Discount rate	2.4	2.4
Expected return on plan assets	(3.1)	8.9
Equities	(3.1)	8.9
Bonds	(3.1)	8.9
Property	(3.1)	8.9
Cash other	(3.1)	8.9
Rate of inflation	2.1	2.3
Expected rate of salary increases	3.2	3.5
Future pension increases	2.1	2.4

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22 RETIREMENT BENEFITS (CONTINUED)

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

	Total of pension schemes 2020 Years	Total of pension schemes 2019 Years
Male	21.4	22.2
Female	24.1	24.8

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

	Total of pension schemes 2020 Years	Total of pension schemes 2019 Years
Male	22.9	24.4
Female	25.9	27.2

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 2020 £000	Total of pension schemes 2019 £000
Current service cost	64	80
Past service costs	15	0
Interest cost	144	146
Interest income	(166)	(168)
Administration costs	1	1
	<u>58</u>	<u>59</u>

Actuarial gains and losses are reported in the statement of financial activities. The gain recognised in 2020 was £159,000 (2019: £132,000 gain).

An additional loss of £114,000 (2019: £88,000 loss) has been included in the Statement of Financial Activities this year in relation to the movement in the asset in the Greater Manchester Pension Fund and the Lancashire County Pension Fund being derecognised from the Balance Sheet, in accordance with Charities SORP requirements, since the charity is unable to recover any surplus through either reduced contribution in the future or through refunds from the scheme.

The actual return on scheme assets was £46,000 (2019: £557,000) for Lancashire County Pension Fund and £105,000 (2019: £112,000) for Greater Manchester Pension Fund.

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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 2020 £000	Total 2019 £000
Fair value of scheme assets	6,881	7,012
Present value of defined benefit obligations	(5,867)	(6,112)
Asset in scheme	1,014	900
Asset on Greater Manchester scheme derecognised in year	(149)	(151)
Asset on Lancashire scheme derecognised in year	(865)	(749)
Recognised in balance sheet	<u>0</u>	<u>0</u>

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

	Total 2020 £000	Total 2019 £000
At start of period	6,112	5,616
Current service cost	64	80
Past service cost	15	0
Interest cost	144	146
Actuarial (gains) and losses	(254)	370
Contributions by plan participants	10	12
Benefits paid	(224)	(112)
At the end of the period	<u>5,867</u>	<u>6,112</u>

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

	Total 2020 £000	Total 2019 £000
At start of period	7,012	6,428
Interest income	166	168
Administrative expenses	(1)	(1)
Return on plan assets less amounts included in net interest	(95)	502
Employer contributions	13	15
Members contributions	10	12
Benefits paid	(224)	(112)
At the end of the period	<u>6,881</u>	<u>7,012</u>

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22 RETIREMENT BENEFITS (CONTINUED)

McCloud

The decision of the Court of Appeal in the Sargeant/McCloud cases (generally referred to for the LGPS as "McCloud") have ruled that the transitional protections afforded to older members when the Public Service Pensions Schemes were amended constituted unlawful age discrimination. At this stage it is uncertain whether or not there will be an issue for the LGPS and its employers, nor is it clear what the exact extent would be of any required changes, but this note sets out some approximate effects of the costs if the transitional protections need to be extended to younger members.

The actuaries have considered the above, and have estimated additional past service liabilities as at 31 March 2020 of £6,000 (2019: Nil) for Greater Manchester, £Nil (2019: Nil) for Lancashire, which is included within past service costs. An adjustment has been made as been made in the valuation below.

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 2020 £000	Total of pension schemes Fair value assets 2019 £000
Equity Instruments	2,866	2,378
Government bonds	0	189
Other bonds	135	65
Property	459	502
Cash / liquidity	151	27
Other assets	1,794	2,234
	5,405	5,395

Greater Manchester Pension Fund:

	Total of pension schemes Fair value assets 2020 £000	Total of pension schemes Fair value assets 2019 £000
Equity Instruments	1,018	1,116
Government bonds	221	243
Other bonds	0	0
Property	103	129
Cash / liquidity	133	129
	1,476	1,617

The estimated amounts of contributions expected to be paid to the schemes during the financial period ending 31 March 2020 are £Nil (2019: £ Nil) in respect of Lancashire County Pension Fund and £13,000 (2019: £15,000) in respect of Greater Manchester Pension Fund.

23 LEASING COMMITMENTS

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

	Group		Company	
	2020 £	2019 £000	2020 £	2019 £000
Within one year	148	153	148	153
Between two and five years	50	211	50	211
After five years	0	0	0	0
	<u>198</u>	<u>364</u>	<u>198</u>	<u>364</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 2020, the company had 9 members (2019: 10).

26 CONTINGENT LIABILITIES

The Group remains aware of the ongoing legal cases in relation to the sleep-in allowance which is affecting the sector.

In April 2017, an Employment Appeal Tribunal (EAT) passed judgment in the Royal Mencap Society V Tomlinson-Blake (represented by UNISON). The EAT found that, in some cases, carers who are required to be present throughout the night are entitled to the NMW whether they are asleep or awake. In response to this, the Government set up the Social Care Compliance Scheme (SCCS) and temporarily modified its policy on enforcing the NMW in the Social Care Sector. AFG became a member of the SCCS in February 2018 and provided a nil liability disclosure in December 2018, which was accepted by HMRC in January 2019.

Mencap appealed the EAT decision and on 13 July 2018, the Court of Appeal reached a decision in the case of Royal Mencap Society v Tomlinson-Blake and Shannon v Rampersad. In a very clear decision, the Court of Appeal found that it was only time spent awake and working during a sleep-in that counts as working time for National Minimum Wage purposes. This meant that AFG were no longer legally obliged to pay top up payments which had been paid since 1 July 2015 following previous guidance issued.

Between January 2019 and March 2019 AFG changed to a reducing fixed payment methodology, in preparation for moving to variable rates for sleeping night shifts from April 2019 (the variable rate is based on the amount received from commissioners, less AFG employer and overhead costs).

AFG has not received any civil or employment tribunal claims with regards to this matter.

26 CONTINGENT LIABILITIES (CONTINUED)

UNISON have appealed the Court of Appeal decision and a final Supreme Court judgement is expected late quarter 1/early quarter 2 2021. No additional liability has been recognised in relation to sleeping night shifts in these financial statements, however if the Supreme Court overturns the Court of Appeal's decision, the liability to pay back-pay for the period between January 2019 and Dec 2020 is around £3m.

In January 2019, the charity suffered a serious untoward incident at one of our Treatment and Recovery Centres that tragically resulted in a patient death. An investigation by the Regulator (Care Quality Commission) concluded in December 2019 with no criminal action against AFG. Due to the impact of Covid-19, the inquest into the patient death has been significantly delayed and is now likely to be heard during the course of 2021. Until such time the inquest commences, we remain unable to assess the likelihood of any liability. As a result, no liability has been recognised as a provision within the accounts.

The Group provides a Death in Service benefit for all staff however the insurance policy does not provide the benefit to any staff aged over 75. The Directors are aware of a small cohort of staff who are aged over 75, and the estimated death in service benefit relating to those staff if it were to arise would be £170k.

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

27 RELATED PARTY TRANSACTIONS

There have been no related party transactions in the period other than trustee remuneration and expenses, as disclosed in Note 7, and transactions with the subsidiary Red Hazels Developments Limited disclosed below:

Amounts charged to Red Hazels for administrative costs paid by AFG	1,026
Amounts discharged	(1,026)
Amount owed from Red Hazels at 31 March 2020	-

Amounts recharged relate to the Corporate Tax preparation fees, Companies House filings, and Bank Charges, borne by AFG in the year. The debtor owed from Red Hazels Developments Limited was subsequently discharged in the year.

28 POST BALANCE SHEET EVENTS

AFG completed the following property transactions after the Balance Sheet date:

- On 19 May 2020, the sale of the property known as Childwall Brook for an amount of £2.1m, which after the settlement of an NHS legal charge generated cash proceeds of £1.66m;
- On 30 September 2020, the sale of the property known as Tesito House for an amount of £3.5m. Monies received were used to settle the loan facility the organisation had with Barclays Bank Plc;
- On 28 October 2020 the sale of the property known as Newlands for an amount of £0.36m.