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Report and Financial Statements

Year ended: 31 March 2013

Company Number: 01829004
HCA Registration: 4688
Company Limited by Guarantee
Registered Charity Number: 515517

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Board of Trustees, Executive Officers, Advisors and Bankers
Board
Chairman

Nigel Lockett

Other Trustees:

Eleanor Green: Chair of HR Committee (Resigned 17th February 2013)

David Powell: Chair of Finance & IT Committee

Philip Turnpenny: Chair of Marketing & Development Committee

Claire Vilarrubi: Chair of Performance Committee

David Jorysz

Aidan Grills: Chair of HR Committee

Martin Samy (Resigned 17th February 2013)

David Pattinson

Ian Simpson (Resigned 15th May 2012)

Colin Ions (Resigned 2nd May 2012)

Peter Johnston (Appointed 17 February 2013)

Customer Board Trustees

Darren Mills

Amanda Mather

Executive Officers
Chief Executive

Steve Woodford, M.B.E (Retired 30th May 2013)

Chief Executive

Maggie Jones (Appointed 20th May 2013)

Operations Director

Teri Stephenson

Development Director

Derek Kettlewell (Resigned 9th April 2013)

HR Director

Jo Carnachan (Appointed 28th May 2012)

Finance and IT Director

Caroline Watson

**Company Secretary &
Registered Office**

Steve Woodford, M.B.E (Retired 30th May 2013)

Maggie Jones (appointed 20th May 2013)

Tennant Hall

Blenheim Grove

Leeds

LS2 9ET

Registration Numbers
Company number

01829004

HCA registration number

4688

Registered charity number

515517

External Auditor

Baker Tilly UK Audit LLP

2 Whitehall Quay

Leeds

LS1 4HG

Internal Auditors

West Yorkshire Audit Consortium

Woodkirk House

Dewsbury District Hospital

Halifax Road

Dewsbury

WF13 4HS

Solicitors

Whitaker Firth

1 Manor Road

Bradford

BD1 4PB

Bankers

National Westminster Bank PLC

PO Box 4

3 Cambridge Crescent

Harrogate

HG1 1PJ

Co-operative Bank

1 Angel Square

Manchester

M60 0AG

Report of the Board of Trustees

The Board presents its report and the audited financial statements of Foundation ("the Company") for the year ended 31 March 2013.

Principal activities

Foundation was established as a registered charity limited by guarantee, incorporated on 29 June 1984 and registered as a charity on 4 September 1984. The Company is governed under its Memorandum and Articles of Association, revised and approved by the Charity Commission and subsequently adopted by the charity on 8 November 2005. The charitable objects are set out in article 3 of the Memorandum of Association and remained unchanged throughout the year.

The Company's principal activities are to educate, train and relieve poverty and sickness amongst persons in conditions of need, hardship and distress.

Business review

Details of the Company's performance for the period and future plans are set out in the Operating and Financial Review that follows the trustees report.

Housing property assets

Details of changes to the Company's housing property assets are shown in note 10 to the financial statements. Housing properties are carried at historic cost.

Reserves

The Trustees regularly review the reserves of the charity, giving consideration to the nature of the income and expenditure streams, the need to match variable levels of income with fixed and planned commitments and the make-up of the reserves. Whilst the Trustees and management do not wish to hold reserves unnecessarily, in view of the current high risk of the public sector funding cuts and greater competition for available funding, we believe that a prudent policy is preserving and even increasing our unrestricted reserves (including designated funds but excluding pension reserve) which at £2.146m at the end of March 2013 were up by £158k on £1.988m at the end of March 2012.

Pension reserve

In addition to the Company's pension scheme with the Social Housing Pension scheme (part of Pensions' Trust), Foundation makes contributions to the West Yorkshire Pension Fund, a multi-employer defined benefit scheme. Foundation became an admitted body to the scheme under the Local Government Pension Scheme (Administration Regulations) following the transfer of the Leeds City Council Temporary Emergency Accommodation and Resettlement services in 2009. Following the Fund's last actuarial valuation in March 2010, Foundation's pension fund shows a surplus of assets over liabilities. This surplus is recognised in the Balance Sheet in accordance with the accounting standard FRS17 to the extent to which it is repayable to Foundation by reduced pension contributions in 2012/13. The reduction has been estimated at £74k.

Donations and Sponsorship

The Company has made no financial donations or sponsorship in the period.

Payment of creditors

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

Financial instruments

The Company's approach to risk management is set out in the Operating and Financial Review.

Employees

The Company holds the Investors in Diversity kitemark at level 2, with a plan to achieve level 1 by 2014. The Trustees believe this will confirm Foundation's culture of a strong commitment in this area to target many of the most disadvantaged in society and to ensure that a measurable positive approach to performance across the broad range of diversity issues is maintained.

It is the policy of Foundation that all employees have equal opportunities for training and career development. Applications for employment by disabled persons are given full and fair consideration in accordance with their particular aptitudes and abilities.

In 2013, Foundation was placed 50th in the Sunday Times Best Places to work in the Public and Third Sectors via an independent survey of employee engagement.

Health and safety

Foundation has a moral and legal responsibility to ensure, so far as is reasonably practicable, that it provides for the health, safety and welfare of its employees, and anyone coming into contact with its business activity who may be affected by the way in which it carries out its work and to provide such information, instruction and training as they need for this purpose. Foundation attaches the greatest importance to Health and Safety matters and endeavours to conduct its operations in a way as to ensure it complies with current legislation. The company is committed to the provision and maintenance of:

A safe and healthy working environment

Supervision, advice and procedures as necessary for the safe performance of its operations

Instructions and procedures, as necessary for safe systems of work

Equipment fit for purpose

Appropriate training for employee within job requirements

A safe and healthy living environment for customers.

Board Trustees and Executive Trustees

The current Board trustees and executive officers are set out on page 1. Foundation's Board (at 31 March 2013) comprises nine trustees and is composed of individuals with a range of relevant skills and experience, including two customer Board trustees. Individually and collectively they exercise independent and objective judgement. All Board trustees serve on one or more committee covering:

- Marketing and Development
- Performance
- Finance and IT
- Human Resources

The company also undertakes an annual away day as an opportunity for in depth review of activities and to review governance arrangements. This was conducted in March 2013 and involved external scanning and a review of the 2012-15 strategic business plan.

The Board has overall responsibility for the governance and strategic direction of the Company and Foundation's constitution empowers the Board to take such steps as are necessary to achieve the Company's objectives and make appropriate arrangements for the sound management of its business. When necessary, Board trustees consider the need to take independent professional advice.

Day to day management responsibilities are delegated by the Board to the Senior Management Team under the direction of the Chief Executive. The Chief Executive is appraised annually by two Trustees. Working closely with Board trustees, the Senior Management Team continues to provide leadership and professional support to all projects.

The work and values of Foundation are defined in our Strategic Business Plan, 2012 – 2015 which is updated annually. This provides a clear strategic framework for the work of the Company, placing key values at the heart of our strategic objectives.

Recruitment, Appointment and Training of Trustees

New Board trustees are recruited to ensure that collectively the Board maintains a broad range of varied backgrounds, skills and experience. We endeavour to ensure the needs of our beneficiaries are reflected by the diversity of the Board in terms of the skills and interests represented. Customer Board trustees ensure that grassroots experience of the issues facing socially excluded people are represented at the strategic level.

Under Article 3.5 of the Articles of Association, Board trustees are elected to serve for a period of three years, after which they must be re-elected at the next Annual General Meeting. Customer Board trustees are appointed for two years after which they are eligible to stand for election as ordinary Board trustees.

The Board may include up to four trustees who are customers or recent ex-customers of the Company. Two additional prospective customer trustees were recruited in early 2013. Customer Board trustees receive the same induction as other trustees but in addition have access to support from the Chief Executive and Operations Director and further support outside meetings from Foundation staff. The terms of their support services and any associated tenancy arrangements are consistent with those offered to other customers of Foundation. None of the other Trustees had any other beneficial interest in any contract with the charity during the year.

Customer Board trustees receive a nominal allowance in line with the Memorandum and Articles for attending Board meetings and other associated duties carried out on behalf of the Charity. Travel and other expenses incurred in the discharge of Trustee duties are reimbursed to all trustees. No Trustee received any remuneration for services as a member of the Board.

Service contracts

Executive officers are employed on the same terms and conditions as other staff, their notice periods ranging from one month (during probationary period) to three months.

Pensions

Executive officers do not have any different arrangements to other members of staff. Those who have joined the Company's pension schemes are members either of the 1/60th Final Salary Social Housing Pension scheme or if they joined after 1 April 2007, the Career Average Re-valued Earnings scheme also part of SHPS and also using a 1/60th accrual rate. The SHPS defined benefit scheme was closed as at 31 March 2013 and all employees are eligible to join the defined contribution scheme with SHPS. Auto enrolment will apply from February 2014.

National Housing Federation Code of Governance

The Trustees are pleased to report that the Company complies with the principal recommendations of the National Housing Federation Excellence in standards of conduct – Code for Members and Excellence in Governance – Code for members.

Customer involvement

Foundation has a number of ways in which customers can be actively involved:

- Local informal feedback via staff
- Annual customer survey and report
- Customer trustees on our Board
- Central and Regional customer empowerment group
- Local customer groups
- Customer attendance on Quality Matters group
- Customer trustee attendance at Performance and Marketing and Development Committees
- Customers are involved in recruitment of staff on panels
- Customers attend tender interviews so that they can outline their experience of our services to commissioners.
- Customers are volunteers, allowing them to be directly involved in the delivery of service, including covering office receptions.

Complaints

There is an organisational policy for the reporting and recording of complaints with systems in place for monitoring the related detail, how it has been handled and by whom and the timescales for resolution. Foundation carries out a review of all complaints on an annual basis and reports the outcomes to the performance committee of the Board. In the 12 months reviewed, 94 complaints were recorded, the majority of which were from neighbours of our customers complaining about behaviour. All complaints have been resolved to the satisfaction of the complainant.

Internal controls assurance

The Board acknowledges its overall responsibility for establishing and maintaining the whole system of internal control and for reviewing its effectiveness. The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve 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 internal controls, which have been developed and embedded throughout the period through the normal management and governance process.

The Board cannot delegate ultimate responsibility for the system of internal control, but it can, and has, delegated authority to the Finance and IT Committee to regularly review the effectiveness of the system of internal control. The Board receives the minutes of all Finance and IT Committee meetings. The Finance and IT Committee has received the report of the Internal Auditor on the effectiveness of the system of internal control, and has reported its findings to the Board.

The Tenant Service Authority withdrew Housing Corporation Circular 07/07 – Internal Controls Assurance with effect from 1 April 2010, however, the internal controls in place in the Company are considered to be appropriate and we confirm an ongoing process for identifying, evaluating and managing significant risks to the achievement of the Company's strategic objectives has been maintained.

The following key procedures are adopted which are designed to achieve effective internal financial control:

Identification and evaluation of key risks

A new risk register is prepared every three years in conjunction with the development of the new three year strategic business plan. The key risks of the plan are monitored through the use of key performance indicators. The risk register is reviewed annually by the Board and six monthly at board committee level. The risk management process is also subject to internal audit review. The key risks facing the business in the year ahead have been identified as:

- Changes in government policy create more need and demand whilst at the same time funding is reduced.

- Funding restrictions lead to reductions in level and quality of services.
- Information Systems failing to deliver the performance focus required, in particular the new case management system currently being developed.
- Changes to the Benefits structure and the impact on our customers, cash flow and debt recovery
- The trend towards mega contracts and the impact on required working arrangements
- The potential move towards payment by results and the risks of non payment and cash flow issues.

Monitoring and corrective action

Risks are monitored regularly by the senior management team and reported to board committees on a six monthly basis. Should any change in risk levels occur, the reasons for the change are established and the necessary action plans are developed and taken to the Board for approval.

Environment and control procedures

Foundation believes that environmental protection should form an integral part of standard operating procedures. The Company is concerned not only with its direct impact on the environment, but also any indirect effects caused by the Company's activities affecting its neighbours and the local community. Foundation's environmental action plan articulates the Company's commitment to sound environmental management.

This action plan will be upheld through the following

- Encouragement of environmental responsibility amongst our stakeholders, including clients, contractors, suppliers, and colleagues.
- The conducting of our operations in a way that minimises our consumption of natural resources and manages waste through responsible disposal and the reuse and recycling of materials where economically feasible.

Information and financial reporting systems

Monthly accounts are prepared by the central finance team and distributed to senior management, area management and individual project managers. Accounts are submitted to the Board's Finance sub committee for review each quarter and then onwards to the main Board. The preparation of the management accounts and the integrity of financial data are included in the internal audit cycle.

Related parties

None of the Trustees had any beneficial interest in any contract with the Company. Tenants are on normal commercial terms and they are not able to use their position to their advantage. The Company's subsidiary, Foundation Social Enterprises Limited, was dormant during the period. This Company has not been consolidated within these financial statements on the grounds that it is dormant and not material to the Company. A separate entity Foundation Stone Enterprises CIC was set up and commenced trading in the Summer of 2012. The company ceased trading in early 2013. It is intended to re-launch the social enterprise as a wholly owned subsidiary late 2013.

Statement of Trustees' responsibilities for the annual report and financial statements

Company law and registered social landlord regulation requires the Trustees to prepare financial statements for each financial period. Under that law Trustees (who are also Trustees of the charitable company) have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

Under company law the Trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the surplus or deficit of the company for that period.

In preparing these financial statements the Board is required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;

- State whether applicable United Kingdom Accounting Standards and the Statement of Recommended Practice: "Accounting by Registered Social Housing Providers" (update 2010) have been followed, subject to any material departures disclosed and explained in the financial statements. Prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the company will continue in business.

The Board is responsible for keeping proper accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable it to ensure that the financial statements comply with the Companies Act 2006, the Housing and Regeneration Act 2008 and the Accounting Requirements for Registered Social Landlords General Determination 2012. It is also responsible for taking reasonable steps to safeguard the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board is responsible for ensuring that the report of the Board is prepared in accordance with the Statement of Recommended Practice 'Accounting by Registered Social Housing Providers' (updated 2010).

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

Going concern

These accounts have been prepared on a going concern basis as the Board have given due consideration to the forecasts, projections and level of resources required for future operations. Whilst our services and funding continue to be at risk from cuts to Local Authority funding, the company has delivered another planned modest surplus. Whilst the operative environment will remain challenging, the Board is confident that the reputation and competitiveness of the Company can contribute to modest growth in the next two years.

Annual general meeting

The annual general meeting will be held on 26th November 2013.

Statement as to disclosure of information to the auditor

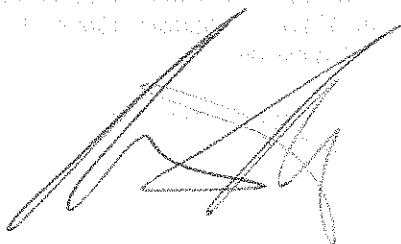
The Board, who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant information of which the auditor is not aware. The Board trustees have confirmed that they have taken all the steps they ought to have taken as trustees in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

External auditor

The auditors, Baker Tilly UK Audit LLP, are willing to continue in office should their contract be renewed.

This report was approved by the Board on 20 August 2013 and signed on its behalf by:

Chairman



Operating and Financial Review

Activities

Foundation works with socially excluded people helping them gain full independence in their local community. This includes providing support to manage a tenancy, look for work, tackle addictions, improve family relationships and access the basic services in society including medical and financial. The Company operates across the North of England running a wide variety of projects working with a number of local authorities and key partners.

Objectives and strategy

Foundation is established under its Memorandum to:

"Educate and train and relieve poverty and sickness amongst persons in conditions of need, hardship and distress, particularly such persons who are in housing need within the Yorkshire and Humberside region and neighbouring districts by such charitable means as the Trustees may from time to time determine."

In discharging its duties, the Board seeks to set a clear strategic framework for achieving these aims and to clarify the long and short term objectives of the Company. In particular, the Board considers the guidance contained in the Charity Commission's general guidance on public benefit and how planned activities will contribute to the aims and objectives set.

Following a strategic review and re-brand, the Board launched in July 2009 a fresh vision for the charity:

"Together, we will end social exclusion"

The strategic planning process upholds our commitment to meeting the needs of those most excluded in society. It informs how our work contributes to the public benefit and it shapes our mission, which we now express as follows:

"Foundation exists to advance social inclusion. We work together with our customers and partners to provide opportunities for change, development and achievement"

We have developed a "one page business plan" in poster format that highlights our new brand and refers to our five core values that govern everything we do:

- Excellence
- Inclusion
- Responsibility
- Partnerships, and
- Customer Focus.

How our activities deliver public benefit

The Board have considered how planned activities advance the aims and objectives they have set for Foundation and are focused on exclusively charitable purposes, which are in the opinion of the Board beneficial to the communities in which we work. The achievement of active inclusion strategies depends on their successful implementation at the local level, working together with our customers and partner agencies to provide opportunities for change, development and personal achievement. This, in turn, leads to improvements in social cohesion, reduction in crime and the promotion of community safety. During 2012/13, Foundation worked with 5830 individual customers.

Some examples of the ways that we helped and supported them are:

- We supported 2,381 customers into new settled accommodation
- We supported 2,892 customers to maximise their income.
- We supported 1,395 customers to manage their debts better.
- 296 of our customers achieved paid work with our support.
- 997 of our customers took up education and training.

- We helped 1,238 customers to manage their mental health better.
- 970 of our customers were supported to improve the management of their substance misuse.
- We helped 1,027 of our customers comply with their statutory court orders.

Inclusion scores

- 85% of our customers left the service registered with a dentist
- 93% of our customers left the service registered with a GP
- 23% of our customers left the service currently involved in a club, society or other community activity
- 97% of our customers left the service with a bank or post office account
- 81% of our customers left the service with regular access to the Internet
- 61% of our customers left the service registered to vote
- 50% of our customers left the service using a local library
- 16% of our customers left the service in paid work
- 25% of our customers who left the service were participating in accredited training or education

Additional outcomes scores at exit

- 46% of our customers who left the service had undertaken some type of informal learning within the last six months
- 9% of our customers who left the service had used emergency medical services in the last six months
- 5% of our customers who left the service had either been charged with an offence or been in prison within the last six months

Accommodation

- 85% of our customers had a planned move on from our support and accommodation.

Performance and development

The targets set for 2012/13 were as follows;

Finance

- Achieve the budgeted surplus
- Increase investment income

Customer Focus

- Our services are designed to empower our customers to reach their potential
- We will provide routes via support and activities for our customers to be involved and to learn new skills that will assist in finding them employment
- We will employ people who have experienced a customer related experience such as offending or homelessness. By 2015 the target of 15% will have been met.

Partnerships

- We will adapt to changing commissioning arrangements and representative structures to ensure that our reputation and profile is maintained and that we are aware of stakeholders' agendas, priorities and needs.

Excellence

- Develop the GROW Programme to create employment and volunteering opportunities both within Foundation and with partners.
- Develop the Senior Management team to effectively lead a company of over 300 colleagues
- Develop a Performance Management framework for colleagues which sets clear expectations for what people do and how they do it.

Responsibility

- Consider the environmental and ethical impact of our working methods, purchasing policies and strategic decisions. Reduce carbon footprint by 2% per annum.

- Offer a range of pension scheme options which will encourage employees to plan for retirement, in preparation for auto enrolment in 2014.

Performance against these targets for each objective in 2012/13 is set out below.

Finance

In a difficult economic climate, the Board had set a budget of a 1% operating surplus for the year. This was exceeded at 1.4% with the introduction of contract based accounting facilitating a much more transparent approach to management information and allowing costs to be tightly controlled in line with budgets. Active treasury management yielded £20k in interest income which was a significant improvement on previous years despite the external interest rate climate. Rent collection was on target at 91%.

Value for Money

The Homes and Communities Agency introduced a new Value for Money standard with effect from 1 January 2012 with a requirement to provide a self assessment of compliance with this new standard.

Foundation registered with the Homes and Communities Agency (HCM) in January 2012 and is continuing to further develop Value for Money policies. Data for 2012/13 is as follows:

- Standard of Accommodation: 93.3% of customers satisfied or better
- Repairs and maintenance standards: 91.6% of customers satisfied or better
- Void loss 6.4%
- Bad debts cost 3.1%
- Operating costs (excluding rents payable) 22.6%
- Foundation is committed to continuing to reduce operating savings and improve operational efficiency and is investing in significant IT resources to facilitate this.

Customer Focus

During the year, customer empowerment has been championed by one of the Area Managers. Three Regional empowerment groups have been established which are chaired by customers and supported by Foundation colleagues. There is also a central empowerment group which includes the chairs of Regional groups, customer trustee's and the Operations Director. Activities including IT, numeracy and literacy content have been developed and provide a number of our customers with new skills that will assist them in finding employment. By June 2012, the number of employees who had experienced a customer issue such as homelessness was 18%, significantly ahead of the 10% target previously set.

Partnerships

The Company is now looking to develop further partnerships with the National Offender Management Service (NOMS) and develop strategic partnerships with health and well-being boards to understand their priorities and needs with a view to tendering for services in which we have expertise. We will continue to adapt to changing commissioning requirements and representative structures to ensure that our profile and reputation is maintained and that we are aware of commissioners' and stakeholders' agendas, priorities and needs. A key to this in the coming months will be changes to rehabilitation and Foundation identifying and securing its place in the supply chains.

Excellence

The GROW (Giving Real Opportunities for Work) programme offers customers the opportunity to become a Foundation Volunteer.

The senior management team meet on a regular basis with the Area Managers to develop and implement the strategic direction of the business. There is currently a vacancy at Director Level and there is an ongoing review to determine the most appropriate role for the business as it drives forward under the new Chief Executive. This is linked to a concurrent review of the Area Manager Team and resources and capacity within the Company's management team.

The Government spending round in Autumn 2011 produced significant cuts in a number of our teams and we retain a focus on maintaining our high levels of performance against the backdrop of these funding cuts.

Responsibility

Carbon footprint is reduced by 15% to 1.22 tonnes per person. The Company is pursuing a strategy to reduce mileage and office energy costs in particular.

Employees are offered membership of the Social Housing Pension Scheme defined contribution scheme and the Company is preparing for auto enrolment which takes effect from February 2014.

External influences

Foundation is subject to the regulatory and investment requirement of the Homes and Communities Agency (HCA). Changes to the regulatory framework have placed Value for Money (VFM) and economic considerations to the fore.

Risks and uncertainties

The Board assume responsibility for on-going review of the risks facing the Company. In this context, we define risk as the potential to fail to achieve our objectives and for loss, whether financial or reputational, inherent in the environment in which we operate.

The Board note the following specific areas that give rise to the potential major risk areas for the forthcoming financial year:

- Implementation of on-going cuts to Local Authorities arising from the comprehensive Spending Review in October 2010.
- the current economic situation leading to a rise in demand for services coupled with cutbacks in local government spending plans

As noted in the statement of internal control on page 6, the Board consider that Foundation has procedures in place to maintain strong internal controls.

The major risks identified within the Risk Register are those associated with the effects of the recession and the Company's ability to sustain competitiveness during the times of increased uncertainties and reduced public funding. These risks are managed carefully in order to secure contracts which enable Foundation to sustain the right level of income for a number of years and enable its longer term planning. All significant risks are reviewed at least twice a year by the four Board committees.

Accounting Policies

The Company's principal accounting policies are set out on pages 20 to 22 of the financial statements.

Housing Properties

At 31 March 2013 the Company owned five housing properties which are carried on the balance sheet at cost. There were no additions during the year.

Investment policy

The Board regularly considers the most appropriate policy for investing the limited funds available within its reserves, informed by regular cash flow forecasts. Deposits are split across a number of institutions.

Reserves

The Board regularly review the reserves of the Company, giving consideration to the nature of the income and expenditure streams, the need to match variable levels of income with fixed and planned commitments and the make-up of the reserves. Whilst the Board and management do not wish to hold reserves unnecessarily, in view of the current risks inherent in our operating environment, we believe a prudent policy is to maintain or even increase reserve levels. We aim to mitigate the increasing risks of a growing business

and provide stability for the medium term, as we experience the public sector funding cuts and greater competition for available funding.

Pension reserve

In addition to the Company's pension scheme with Social Housing Pension scheme (part of Pensions' Trust), Foundation makes contributions to the West Yorkshire Pension Fund, a multi-employer defined benefit scheme. Foundation became an admitted body to the scheme under the Local Government Pension Scheme (Administration Regulations) following the transfer of the Leeds City Council Temporary Emergency Accommodation and Resettlement services in 2009. The Pension Reserve of £74k reflects this pension scheme's estimated surplus in accordance with the FRS 17 valuation provided by the scheme's actuary and is included in the balance sheet.

There is no forecast immediate or medium-term impact on the cash flow position of the Company as the level of shortfall is predicated on the actuarial assumptions applied by the scheme actuary and the strategy of the scheme administrators is to recover such shortfalls via increased employer and employee contributions.

Capital structure and treasury policy

Foundation does not have any loan facilities, the Company is supported by the current cash in hand of £2,018,000.

Cashflows

Cash inflows and outflows for the period are shown in the cashflow statement on page 19. The net cash inflow from operating activities in the period was £543,000.

Statement of Compliance

In preparing this Operating and Financial Review, the Board has endeavoured to follow the principles set out in Part 2 of the SORP 'Accounting by Registered Social Housing Providers' (updated 2010).

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF FOUNDATION

We have audited the financial statements of Foundation on pages 16 to 35. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of the Board and auditor

As explained more fully in the Board's Responsibilities Statement set out on page 7 to 8, the Board are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [http://www.frc.org.uk/Our-Work/Codes-Standards/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Scope-of-audit/UK-Private-Sector-Entity-\(issued-1-December-2010\).aspx](http://www.frc.org.uk/Our-Work/Codes-Standards/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Scope-of-audit/UK-Private-Sector-Entity-(issued-1-December-2010).aspx)

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2013 and of 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, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2012.

Emphasis of matter-pension deficit

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in note 18 to the financial statements concerning the deficit arising on the Social Housing Pension Scheme and the transfer of members from defined contribution entitlement. Whilst the Company is continuing to make deficit contributions as agreed with the scheme actuary and has been given an indicative period over which these deficit contributions could be expected to continue, as the individual sponsoring employer's liability has not been determined by a formal actuarial valuation as required by FRS 17, the Board have concluded that no provision for the potential liability should be made in the financial statements. This is consistent with the treatment in the sector; however we draw attention to the disclosures made by the Board. Our report is not qualified in this respect.

Opinion on other requirements of the Companies Act 2006

In our opinion the information in the Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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:

- the Company has not kept adequate accounting records, or the returns adequate for our audit have not been received from branches not visited by us; or
- the Company's financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of the trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

Baker Tilly UK Audit LLP

ANDREW ALLCHIN (Senior Statutory Auditor)

For and on behalf of BAKER TILLY UK AUDIT LLP, Statutory Auditor

Chartered Accountants

2 Whitehall Quay

Leeds

LS1 4HG

27 September

2013

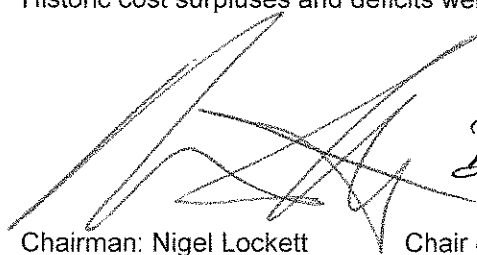

**Income and Expenditure Account
for the year ended 31 March 2013**

	Note	2012/13 £000	2011/12 £000
Turnover	3	13,523	12,774
Operating costs	3	(13,347)	(12,602)
Operating surplus		176	172
Interest receivable and other income	6	20	6
Interest payable and similar charges	7	(18)	(32)
Surplus on ordinary activities before taxation		178	146
Tax on surplus on ordinary activities		-	-
Surplus for the financial year		178	146

The notes on pages 20 to 35 form part of these financial statements.

The turnover and operating surplus for the year arises from continuing operations.

Historic cost surpluses and deficits were identical to those shown in the Income and Expenditure Account.

Chairman: Nigel Lockett Chair of Finance/IT: David Powell

**Statement of Total Recognised Surpluses and Deficits
for the year ended 31 March 2013**

	Note	2012/13 £000	2011/12 £000
Surplus for the financial year		178	146
Actuarial Gain relating to the pension deficit	18	(62)	(8)
Total recognised surplus relating to the year		116	138
Total recognised surpluses and deficits since last annual report		116	138

**Balance Sheet
as at 31 March 2013**

 Registered in England, No. 01829004, Company Number 01829004
 125, Avenue 10, Newbury, Berkshire, RG13 2AT

	Note	2013 £000	2012 £000
Tangible fixed assets			
Housing properties	10	442	430
Other tangible fixed assets	11	800	872
Social housing grant	11	(548)	(548)
Total fixed assets		694	754
Current assets			
Debtors	12	816	781
Cash at bank and in hand		2,018	1,475
		2,834	2,256
Creditors: Amounts falling due within one year	13	(1,330)	(1,008)
Net current assets		1,504	1,248
Total assets less current liabilities		2,198	2,002
Net pension asset	18	74	30
Net Assets		2,272	2,032
Capital and reserves			
Restricted reserve	14	52	14
Designated reserve	14	801	785
General reserves	14	1,345	1,203
Pension reserve	18	74	30
		2,272	2,032

The financial statements on pages 16 to 35 were approved by the Board and authorised for issue on 20th August 2013 and are signed on its behalf by:

Chairman: Nigel Lockett

Chair of Finance/IT: David Powell

Company secretary: Maggie Jones

**Cashflow Statement
for the year ended 31 March 2013**

	Note	2012/13 £000	2011/12 £000
Net cash inflow from operating activities	19	590	630
Returns on investment and servicing of finance		20	6
		610	636
Taxation		-	-
Capital expenditure			
Purchase of other fixed assets		(67)	(106)
Increase in cash	20	543	530
Brought forward cash at bank		1,475	945
Carried forward cash at bank		2,018	1,475

Notes to the Financial Statements for the year ended 31 March 2013

1. Legal Status

The Company is registered under the Companies Act 2006 and is registered with the Homes and Communities Agency as a social landlord. The Company is limited by guarantee and is a registered charity.

2. Accounting Policies

Basis of Accounting

The financial statements have been prepared in accordance with applicable financial reporting standards in the United Kingdom. Following the registration in January 2012 as a Registered Provider of Social Housing, the accounts comply with the Companies Act 2006, the Statement of Recommended Practice (SORP) for Registered Social Landlords (updated 2010) and the Accounting Requirements for Registered Social Landlords General Determination 2006.

These accounts have been prepared on a going concern basis as the trustees have given due consideration to the forecasts, projections and level of resources required for future operations.

The accounts have been prepared under the historic cost convention.

The principal accounting policies adopted in preparing these financial statements are set out below:

Turnover

Turnover comprises rental and service charge income receivable in the period, other services provided at the invoice value (excluding VAT) and revenue grants receivable in the period. Grants and other income are recognised in the year in which entitlement exists and the amount can be measured with reasonable certainty and measurability.

Income such as donations and gifts is accounted for as received by the company.

Service Charges

The Association reviews the costs of delivering its services to its customers on an annual basis and sets the charges based on these costs.

Taxation

As a charity the Company is exempt from tax on income and gains falling within chapter 3 part II Corporation Tax Act 2010 or s256 of the Taxation of Chargeable Gains Act 1992 to the extent that these are applied to its charitable objects. No tax charges have arisen in the Charity.

Value Added Tax

Although Foundation is partially exempt from VAT, the amount of taxable income is so small related to overall turnover, VAT is not recovered on expenditure. VAT therefore represents a 20% additional cost to the Company where charged.

Interest Payable

Interest payable is charged to the Income and Expenditure Account in the period it falls due.

Pensions

The Company operates defined benefit pension schemes. The assets of the schemes are held separately from those of the Company in independently administered funds, The Pensions Trust and West Yorkshire Pension Fund. Further details of pension commitments are set out in note 18.

For the defined benefit scheme administered by the West Yorkshire Pension Fund, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at each balance sheet date.

Actuarial gains and losses arising are recognised immediately in the Charity's income and expenditure account as other recognised gains and losses.

The amount recognised in the balance sheet represents the present value of the defined benefit obligation, adjusted for unrecognised past service costs and reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to the lower of the asset, and any unrecognised past service cost plus the present value of available refunds or reductions in future contributions to the plan.

For the scheme administered by The Pensions Trust, the pension cost charges represent contributions payable under the schemes by the Company to the funds. It is not possible in the normal course of events to identify on a consistent and reasonable basis the share of underlying assets and liabilities belonging to individual participating employers. This is because the Scheme is a multi-employer scheme where the Scheme assets are co-mingled for investment purposes, and benefits are paid from total Scheme assets.

Social Housing and Other Grants

Grants in respect of revenue expenditure are credited to the Income and Expenditure Account in the same period as the expenditure to which they relate. Grants in respect of capital expenditure are credited against the costs of purchasing the asset.

Supporting People

Charges for support services funded under Supporting People are recognised as they fall due under the contractual arrangements with Administering Authorities.

Housing Properties

Housing properties are principally properties available for rent and are stated at cost less accumulated depreciation. Cost includes the cost of acquiring the land and expenditure incurred in respect of improvements. The Statement of Recommended Practice (SORP) for Registered Social Landlords requires registered providers to adopt component accounting. The Trustees are of the view that component accounting will not have a material impact on Foundation, and consequently, component accounting has not been applied.

Tangible Fixed Assets

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is provided on a straight line basis, at rates considered appropriate to write off the assets over their effective working lives as follows:

Freehold Properties	4% on cost
Housing stock	4% on cost
Other properties	4% on cost
Buildings fixtures	10% on cost, or over life of the lease
Other tangible fixed assets	33⅓% on cost

Management of liquid resources

Liquid resources are readily disposable current asset investments and cash at bank and in hand. In the event that the Company has money market deposits held for more than 24 hours, they can be withdrawn without penalty on maturity or by giving notice of more than one working day.

Operating Leases

Rentals payable under operating leases are charged to the Income and Expenditure Account on a straight line basis over the lease term.

3. Turnover, cost of sales, operating costs and operating surplus

Continuing activities

	2012/13		2011/12	
	Turnover £000	Operating costs £000	Turnover £000	Operating costs £000
Social housing activities				
Income and expenditure from lettings	3,755	(3,665)	3,238	(3,477)
		90		(239)
Other social housing activities				
Supporting people contract income	8,850	(9,092)	8,774	(8,620)
Other social housing income and expenditure	432	(278)	356	(235)
		154		121
Non social housing activities				
	486	(312)	406	(270)
		174		136
Total	13,523	(13,347)	12,774	(12,602)
		176		172

3. Turnover, cost of sales, operating costs and operating surplus (continued)

Particulars of income and expenditure from social housing lettings

	2012/13		2011/12	
	Supported Housing £000	Total £000	Supported Housing £000	Total £000
Turnover from social housing lettings				
Rent receivable net of identifiable service charges	3,755	3,755	3,238	3,238
Service charges receivable	-	-	-	-
Net rental income	3,755	3,755	3,238	3,238
Other revenue grants	-	-	-	-
Turnover from social housing lettings	3,755	3,755	3,238	3,238
Expenditure on social housing lettings				
Rent	(2,410)	(2,410)	(2,204)	(2,204)
Costs relating to tenants	(14)	(14)	(11)	(11)
Light & heat	(76)	(76)	(41)	(41)
Routine maintenance	(162)	(162)	(136)	(136)
Planned maintenance	(627)	(627)	(422)	(422)
Staff costs	(305)	(305)	(529)	(529)
Other Costs	(71)	(71)	(134)	(134)
Operating costs on social housing lettings	(3,665)	(3,665)	(3,477)	(3,477)
Operating Surplus on social housing lettings	90	90	(239)	(239)

4. Accommodation in management and development

At the end of the period, accommodation in management for each class of expenditure was as follows:

	2012/13 Units	2011/12 Units
Supported housing	5	5
Total units in management	5	5

5. Operating surplus

This is arrived at after charging:

	2012/13 £000	2011/12 £000
Depreciation of tangible fixed assets	163	236
Operating lease rentals		
- land and buildings	123	142
- office equipment	29	26
External Auditors remuneration (including VAT)		
- external audit services	16	16
- accountancy services	-	3

6. Interest receivable and other income

	2012/13 £000	2011/12 £000
Bank interest	20	6
	20	6

7 Interest payable and similar charges

	2012/13 £000	2011/12 £000
FRS17 – net finance charge	18	32
	18	32

8. Employees

The average monthly number of persons employed during the year was:

	2012/13 Average Number	2011/12 Average Number
Charitable work	351	304
Support services	22	22
	373	326

The average monthly number of people employed during the year expressed as full-time equivalents was:

	2012/13 Average FTEs	2011/12 Average FTEs
Charitable work	293	266
Support services	19	20
	312	286

8. Employees (continued)

Employee costs:

	2012/13 £000	2011/12 £000
Wages and salaries	7,207	6,603
Social security costs	559	570
Other pension costs	324	288
	8,090	7,461

The Company's employees were eligible to be members of the West Yorkshire Pension Fund and the Social Housing Pension Scheme. Further information on the scheme is given at Note 18.

9. Executive Officers' emoluments

	2012/13 £000	2011/12 £000
Aggregate emoluments paid to all Executive Officers, excluding pension contributions	304	259
Aggregate amount of all Officers' pensions	17	15
Emoluments of the Chief Executive, who was also the highest paid employee, excluding pension contributions	122	70

Emoluments for the Officers (excluding pension contributions) fall into the following bands:

	2012/13 Number	2011/12 Number
More than £120k but not more than £130k	1	0

The Memorandum and Articles of the Charity allow the payment of reasonable reimbursed expenses to Board trustees and a nominal allowance to Board trustees drawn from our customer base for the undertaking of additional tasks to inform the internal systems of the charity. The expenditure for the year is made up of:

	2012/13 Number	2011/12 Number
Number of Trustees who were paid expenses	9	10

Trustee expenses of £2,968 (2012: £2,316) comprise travel and sundry expenses attendance allowances.

10. Tangible fixed assets – housing properties

	Social housing properties held for letting £000
Cost	
At 1 April 2012	540
Additions	37
At 31 March 2013	577
Depreciation	
At 1 April 2012	110
Charge for year	25
At 31 March 2013	135
Net book value	
At 31 March 2013	442
At 31 March 2012	430

11. Tangible fixed assets – Other

Cost	Freehold Property £000	Office/Leasehold Fixtures £000	Furniture Equipment £000	Computer & Accessories £000	Motor Vehicles £000	Total £000
At 1 April 2012	827	409	34	404	2	1,676
Additions	-	3	-	64	-	67
Disposals	-	-	-	(37)	-	(37)
At 31 March 2013	827	412	34	431	2	1,706
Depreciation						
At 1 April 2012	139	289	21	353	2	804
Depreciation charge for the year	39	31	11	57	-	138
Disposals	-	-	-	(36)	-	(36)
At 31 March 2013	178	320	32	374	2	906
Depreciated cost						
At 31 March 2013	649	92	2	57	-	800
At 31 March 2012	688	120	13	51	-	872
Grants						
At 1 April 2012 and at 31 March 2013	548	-	-	-	-	548
Net book value						
At 31 March 2013	101	92	2	57	-	252
At 31 March 2012	140	120	13	51	-	324

Leeds City Council holds a legal charge in the sum of £183,736 on the freehold property at Tennant Hall for a fifteen year period from 1 April 2002. The charge is in support of the conditions of a grant received. At 31 March 2013, this has not been executed. The contingent liability is set out in note 17.

12. Debtors

	2012/13 £000	2011/12 £000
Due within one year		
Rent and service charges receivable	211	172
Less: provision for bad and doubtful debts	(157)	(172)
	<u>54</u>	<u>-</u>
Other debtors	606	610
Prepayments and accrued income	<u>156</u>	<u>171</u>
Total due within one year	<u>816</u>	<u>781</u>

13. Creditors: amounts falling due within one year

	2012/13 £000	2011/12 £000
Trade creditors	235	246
Other creditors	279	171
Accruals	423	320
Deferred income	<u>393</u>	<u>271</u>
	<u>1,330</u>	<u>1,008</u>

14. Reserves

	Revenue Reserve £000	Restricted Reserve £000	Designated Reserve £000	Pension Reserve £000	Total £000
At 1 April 2012	1,203	14	785	30	2,032
Surplus for the year	178				178
Actuarial Loss relating to pension scheme				62	62
Transfers from revenue reserve	(307)	257	50	-	-
Transfers to revenue reserve	<u>271</u>	<u>(219)</u>	<u>(34)</u>	<u>(18)</u>	<u>-</u>
At 31 March 2013	<u>1,345</u>	<u>52</u>	<u>801</u>	<u>74</u>	<u>2,272</u>

Designated Reserves

	1 April 2012 £000	Income £000	Expenditure £000	Transfers £000	31 March 2013 £000
Building Maintenance	133	-	(12)	-	121
St Peters Building	432	-	(22)	-	410
Family Services Development	200	-	-	-	200
Innovation and Project Development	<u>20</u>	<u>-</u>	<u>-</u>	<u>50</u>	<u>70</u>
Total designated reserves	<u>785</u>	<u>-</u>	<u>(34)</u>	<u>50</u>	<u>801</u>

14. Reserves (continued)

While the amounts included in Designated reserves are not contractually committed at the year end, the Trustees have earmarked the funds for the purposes listed below:

The **Building Maintenance Fund** is designated to cover cyclical repairs at Tennant Hall and Victoria Road, Scarborough as and when they are made and those properties gifted from St Peter's Christian Project.

The **St Peters Building Fund** has been designated by the Trustees in respect of the five properties gifted by St Peter's Christian Project.

The **Family Services Development fund** has been designated to develop future services to work with families and children.

The **Innovation and Project Development Fund** is to provide matched funding for bids and bridge financing to support projects between changes in funding stream.

Restricted Reserves

	1 April 2012 £000	Income £000	Expenditure £000	Transfers £000	31 March 2013 £000
Health & Social Care	5	20	(18)	-	7
Big Lottery-Springboard	9	234	(199)	-	44
Sport England	-	3	(2)	-	1
Total restricted reserves	14	257	(219)	-	52

Name of fund	Description, nature and purposes of the fund
Tennant Hall Building Fund	The building fund comprises grants and donations used for the acquisition of Tennant Hall and its refurbishment.
Primary Care Trust Fund Grant	Grants received from PCTs are received subject to meeting specific conditions in service delivery. The funds will be utilised over the term of the contract.
Big Lottery Funding	Grant received under the Awards for All Programme to promote positive social and mental health.
Health & Social Care Volunteering Fund	This is a three year project to employ a Health Volunteer Co-ordinator and related project manager time to provide volunteers with the opportunity to engage in a range of activities from project delivery through to promotion, administration and evaluation of project activities.
Big Lottery Funding – Springboard project	The Springboard Project is a new project specifically developed for young people leaving care (16-24 years) in York, Selby and Ryedale District. The project is funded through the Big Lottery Fund's Youth in Focus programme. Foundation is leading a partnership of organisations from across the three areas to deliver a wide range of activities, events and opportunities to young care leavers in response to their goals and aspirations.

15. Capital commitments

The capital payments which the Company is committed to make in the next year are as follows:

	2012/13 £000	2011/12 £000
New software system	-	54

16. Other commitments

At 31 March 2013 the company had annual commitments under non-cancellable operating leases as follows:

	Land and Buildings		Other	
	2013 £000	2012 £000	2013 £000	2012 £000
Expiry Date:				
Within one year	111	47	8	2
Between two and five years	345	155	67	18
More than five years	-	-	-	-

The notice period required for termination of agreement on tenant accommodation, rented by the charity, is less than one year with the majority requiring one month. Therefore the rental cost of tenant accommodation is not included in the operating lease commitments.

17. Contingent liabilities

Under the terms of the restricted grants received or receivable for the purchase of the freehold premises, the company has a liability to repay those grants if the grant conditions are breached, including the unauthorised disposal of property up to 31 March 2017 for the Leeds City Council Single Regeneration Budget (SRB) grant and 2082 in the case of the Community Fund. The total of grants which are subject to such contingent liability at 31 March 2013 amounted to £433,746 (2012: £433,746)

This is made up of:

	£000s
Community Fund	250
SRB	184

An undertaking has also been given to provide legal charges on the freehold property at Tennant Hall to secure payments if and when required.

18. Pension Obligations

Social Housing Pension Scheme (SHPS)

- i. Foundation participates in SHPS (the Scheme), part of the Pension Trust. The Scheme is funded and is contracted-out of the State Pension scheme.
- ii. It is not possible in the normal course of events to identify on a consistent and reasonable basis the share of underlying assets and liabilities belonging to individual participating employers. This is because the Scheme is a multi-employer scheme where the Scheme assets are co-mingled for investment purposes, and benefits are paid from total Scheme assets. Accordingly, due to the nature of the Scheme, the accounting charge for the period under FRS17 represents the employer contribution payable.
- iii. Foundation has elected to operate the final salary with a 1/60th accrual rate benefit structure for active members as at 31st March 2007 and the career average re-valued earnings with a 1/60th accrual rate benefit structure for new entrants from 1st April 2007.
- iv. During the accounting period Foundation paid contributions at the rate of 14.9%. The employee contribution rate was 7.4%.
- v. The SHPS Trustees commission an actuarial valuation of the Scheme every three years. The main purpose of the valuation is to determine the financial position of the Scheme in order to address the level of future contributions required so that the Scheme can meet its pension obligations as they fall due.
- vi. The last formal valuation of the Scheme was performed as at 30 September 2011 by a professionally qualified Actuary using the Projected Unit Method. The market value of the Scheme's assets at the valuation date was £2,062m. The valuation revealed a shortfall of assets compared with the value of liabilities of £1,035m, equivalent to a past service funding level of 67%.
- vii. The next triennial formal valuation of the Scheme is due as at 30 September 2014. The results of the valuation will be available in September 2014.
- viii. At 31 March 2013 there were unpaid contributions totalling £115,609 (2012: £36,536) included in other creditors. This was due to the new IT system at SHPS being unable to accept payments.
- ix. The scheme is funded and contracted out of the State Pension scheme. After taking professional advice and having consideration to the various options open to them, Foundation in its capacity of sponsoring employer and in conjunction with the Actuaries of SHPS, made the recommendation that Foundation's members' involvement in the SHPS Defined Benefit scheme be closed to new members and future benefit accruals. Foundations membership transferred to the defined contribution scheme with effect from 1 April 2013, although members are still part of the defined benefit scheme in respect of past service.
- x. The trustees of SHPS commission an actuarial valuation every three years. An interim valuation and benefits review was commissioned by SHPS and Foundation were notified in January 2013 that from the date of transfer to the DC scheme, Foundation will need to make annual deficit contributions of £241,632, comprising £173,580 for 10 years until 2023 and £68,052 payable for 13 years until 2026. This amount is based on the current actuarial assumptions and may vary as a result of actual asset performance of the pension plan and therefore a final calculation of the liability is uncertain.
- xi. The transfer of membership from the defined benefit scheme could be considered a trigger event which crystallises that liability and may require a provision to be made under Financial reporting Standard 12 (Provisions, Contingent Liabilities and Contingent Assets). However there is no specific requirement in FRS 17, nor in the RSL SORP 2010 to make a provision and there is a divergence of practice in the sector on this matter which affects most RSL's in multi-employer pension schemes.
- xii. Therefore a provision has not been recognised, however when FRS102 is implemented there is a specific requirement to make such a provision which will be effective for the year ended March 2016. If

18. Pension Obligations (continued)

the annual deficit contributions were discounted to the net present liability on an ongoing basis, the liability would be calculated as £2,254,175.

West Yorkshire Pension Scheme (WYPF)

The WYPF is a multi-employer final salary scheme. The Fund provides defined benefits, based on members' final pensionable salary and is contracted out of the state scheme. Foundation had 12 active members in this pension scheme during 2012/13, who joined the company under TUPE provision in 2009. The membership in this scheme is applicable only to these transferees on a closed basis.

The Employer's regular contributions to the Fund for the accounting period ending 2013 are estimated to be Nil.

The latest actuarial valuation of Foundation's liabilities took place as at 31 March 2010. Following the UK Government announcement on 22 June 2010, the inflation index to be used to derive statutory pension increases has been changed from the Retail Price Index (RPI) to the Consumer Prices Index (SPI). The principal assumptions used by the independent qualified actuaries in updating the latest valuation of the Fund for FRS17 purposes were:

Principal financial assumptions (% per annum)	31 March 2013	31 March 2012	31 March 2011
Discount rate	4.6	4.8	5.4
RPI Inflation	3.4	3.3	3.5
CPI Inflation	2.5	2.3	2.6
Rate of increase to pensions in payment	2.5	2.3	2.6
Rate of increase to deferred pensions	2.5	2.3	2.6
Rate of general increase in salaries	4.4	4.8	5.0

Mortality assumptions: The mortality assumptions are based on the recent actual mortality experience of members within the Fund and allow for expected future mortality improvements.

Post retirement mortality assumption:		2013 Years	2012 Years	2011 Years
Life expectancy pensioner aged 65:	Of a male (female)			
	current	22.1 (24.3)	22 (24.1)	21.9 (24)
	Of a male (female)			
	future	23.9 (26.2)	23.8 (26.1)	23.7 (26)

The basis used to determine the overall expected rate of return on assets.

Foundation employs a building block approach in determining the rate of return on Fund assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed rate of return on each asset class is set out within this note. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the Fund at 31 March 2013.

Recognition in the Balance Sheet under paragraph 41:

The actuarial valuation has established that Foundation has a surplus of assets over liabilities at the accounting date before the application of the asset limit. The limit is imposed due to the current assumption on the likelihood of Foundation's participation in the Scheme beyond 31 December 2014. A maximum

amount of the asset surplus that can be recognised in the Balance Sheet is shown in the table below. In addition, the unrecognised asset is also disclosed under unrecognised asset due to limit in paragraph 41.

The assets in the fund that relate to Foundation and the expected rate of return were:

	Expected rate of return %	At 31 March 2013 £000	Expected rate of return %	At 31 March 2012 £000	Expected rate of return %	At 31 March 2011 £000
Fair value of assets	6.7	1,806	7.0	1,581	7.6	1,548
Present value of liabilities		1,732	-	1,551	-	1,316
Pension asset before consideration of paragraph 41		74	-	30	-	232
Unrecognised asset due to limit in paragraph 41	-	-	-	-	-	101
Pension asset recognised on the Balance Sheet	-	74	-	30	-	131

In accordance with Paragraph 77(o) of FRS17 (as revised), the assets for the current period and previous three periods are measured at current bid price.

Reconciliation between Balance Sheet surplus and Income and Expenditure charges and actuarial gain:

	2013 £000	2012 £000	2011 £000
Inherited Pension Asset brought forward	30	131	(79)
Current service costs	(52)	(53)	(66)
Contribution by employer	0	23	52
Past service/curtailment/settlement gain/(loss)	0	(23)	158
Net return on assets/(interest cost)	(67)	44	24
Actuarial gain/(loss)	62	(193)	42
B/fwd irrecoverable surplus re paragraph 41	101	101	-
Surplus at end of year	74	30	131

Analysis of amount recognised in Statement of Total Recognised Surpluses and Deficits

	2013 £000	2012 £000	2011 £000
Total actuarial gains/(losses)	62	(193)	143
Change in irrecoverable surplus, effect of limit in paragraph 41	-	-	(101)
Adjustment to prior year	-	185	-
Total (loss)/gain in STRGL	62	(8)	42

Annualised Pensionable Payroll over the accounting period (£000)

	£000
Period ending 31 March 2013	249.8
Period ending 31 March 2012	281.5
Period ending 31 March 2011	316.0

Actuarial gains and losses arising from new valuations and from updating valuations to the balance sheet date are recognised in the Statement of Total Recognised Gains and Losses.

Defined benefit schemes are funded, with the assets held separately from the group in separate trustee administered funds. Full actuarial valuations, by a professionally qualified actuary, are obtained at least every three years, and updated to reflect current conditions at each balance sheet date. The pension scheme assets are measured at fair value. The pension scheme liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency. A pension scheme asset is recognised on the balance sheet only to the extent that the surplus may be recovered by reduced future contributions or to the extent that the trustees have agreed a refund from the scheme at the balance sheet date. A pension scheme liability is recognised to the extent that the group has a legal or constructive obligation to settle the liability.

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

	2012/13 £000	2011/12 £000
Operating surplus	176	172
Depreciation of tangible fixed assets	127	236
Capital expenditure	-	-
Bank and other interest	-	-
 Working capital movements		
Decrease/(Increase) in debtors	(35)	726
Increase/(Decrease) in creditors	322	(481)
FRS17 Pension Costs	-	(23)
 Net cash inflow from operating activities	590	630

20. Analysis of Cash Movement

	1 Apr 2013 £000	Cashflow £000	1 Apr 2012 £000
Cash at bank and in hand	2,018	543	1,475
Changes in net debt	2,018	543	1,475

21. Related parties

There were no related party transactions during the year other than those already disclosed in note 9.

