

# **Foundation**

## **Report and Financial Statements**

**Year ended: 31 March 2016**

**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

Chair Nigel Lockett

Other Trustees:

Aidan Grills: Vice-Chair of Resources Committee (Resigned 16 September 2015)  
 David Powell: Chair of Resources Committee  
 Philip Turnpenny: Vice-Chair of Operations & Development Committee  
 Claire Vilarrubi: Chair of Operations & Development Committee  
 Julia Bates  
 Peter Johnston  
 David Jorysz (Resigned 16 September 2015)  
 Richard Parry  
 Mark Simpson  
 Patricia Taylor  
 David Pattinson (Resigned 17 May 2015)  
 Rebekah Smith (Appointed 16 September 2015)

### Customer Board Trustees

Scott Lyons  
 Carl Page (Resigned 26 May 2016)

### Executive Officers

Human Resources Director Jo Carnachan (Resigned 31 July 2015) (Position not replaced)  
 Operations Director Lisa Firth (Resigned 29 April 2016)  
 Interim Operations Director Viki Whelan (Appointed 1 May 2016)  
 Development and Communications Director Paul Hardman  
 Chief Executive Maggie Jones  
 Finance and IT Director Caroline Watson

### Company Secretary & Registered Office

Maggie Jones  
 Tennant Hall  
 Blenheim Grove  
 Leeds  
 LS2 9ET

### Registration Numbers

Company number 01829004  
 HCA registration number 4688  
 Registered charity number 515517

### External Auditor

RSM UK Audit LLP (formerly 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 Row  
Bradford  
BD1 4PB

**Bankers**

National Westminster Bank PLC  
PO Box 4  
3 Cambridge Crescent  
Harrogate  
HG1 1PE

Co-operative Bank  
1 Angel Square  
Manchester  
M60 0AG

Santander  
Bridle Road  
Bootle  
Merseyside  
L30 4GB

## **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 2016.

### **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 hardship and distress, especially those in housing need.

### **Business review**

Details of the Company’s performance for the year 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 increasing our unrestricted reserves to a level which provides for three months of operating costs (including designated funds). General reserves stood at (£1.490m) (£0.485m at 31 March 2015). The inclusion on the balance sheet under FRS102 of the liability related to the deficit funding obligations of the SHPS pension scheme means that this objective is unlikely to be achieved in the short term.

### **Donations and Sponsorship**

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

### **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 People (Bronze) and Investors in Diversity Kitemark at level 2, and in March 2015 were successful in gaining the Mindful Employer Charter for mental health. The Trustees believe this confirms Foundation’s culture of a strong commitment in this area working with 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. We have made strong links with Mindful Employer which has been extremely beneficial to the organisation. From these strong links we have gained funding allowing us to have external evaluators focusing on staff wellbeing and producing reports on our evaluation. Support has

## Report of the Board of Trustees (Continued)

been given to develop interventions for 2016 and free training has been offered to support peer workshops around wellbeing. This has raised more awareness around mental health within Foundation.

We have upskilled managers during the year on investigations and disciplinary procedures in addition to focusing on sickness and absence management.

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.

The Company has a comprehensive and well used employee assistance scheme available to all staff, providing advice and support on a wide range of employment, health and legal concerns.

### 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, customers and anyone coming into contact with its business activity who may be affected by the way in which it carries out its work. Foundation attaches the greatest importance to Health and Safety matters which are part of each employee's induction and e-learning and prioritises compliance with current legislation. Foundation's Health and Safety manager is supported by a network of volunteer Health and Safety Champions across all offices.

The Company remains committed to the provision and maintenance of:

- A safe and healthy working environment
- A safe and healthy living environment for customers
- Supervision, advice and procedures as necessary for the safe performance of its operations
- Instructions, information and procedures, for safe systems of work
- Equipment fit for purpose and bespoke adaptations for staff who need them
- Appropriate training for employees within job requirements

### Trustees and Executive Officers

The current Board of Trustees and Executive Officers are set out on page 1. Foundation's Board (at 31 March 2016) comprises 12 Trustees with a range of relevant skills and experience, including two Customer Trustees. Individually and collectively they exercise independent and objective judgement. All non-customer trustees serve on one sub-committee, either *Resources* or *Operations and Development*.

Foundation also undertakes an annual Board away day as an opportunity for an in depth review of activities and to review governance arrangements. This was conducted in September 2015 to explore longer term possibilities for Foundation in accordance with the strategic 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, the Board consider the need to take independent professional advice and trustees receive all internal audit reports undertaken through the year.

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 new Strategic Business Plan, 2015 – 2018 developed in consultation with customers, staff and wider stakeholders. Annual action plans enable the Board to monitor progress against strategic goals, alongside regular reporting against the Corporate Performance Framework. Together these provide a mechanism for accountability and challenge, placing our values at the heart of our strategic objectives.

## **Report of the Board of Trustees (Continued)**

### **Recruitment, Appointment and Training of Trustees**

New Board Trustees are recruited through open advert and interview 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. Trustees may serve for a maximum of three consecutive terms.

The Board may include up to four trustees who are current or recent ex-customers. Customer Trustees receive the same induction as other trustees but in addition have access to support from Trustee mentors, the Chief Executive and Interim 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 Company during the year.

Customer 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 Company. 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 and are all subject to a three month notice period.

### **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 (SHPS) 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 now eligible to join the defined contribution scheme with SHPS. Auto enrolment was implemented in February 2014.

### **Governance**

The Trustees formally adopted the National Council for Voluntary Organisations' Code of Governance as being the most appropriate code to govern the activities of the Company.

## Report of the Board of Trustees (Continued)

### Customer involvement

Foundation has a number of ways in which customers are encouraged to be actively involved across the organisation:

- Local informal feedback via staff
- Responding to text based questions on quality and performance
- Annual customer survey and report
- Customer Trustees on our Board and committees
- Local customer groups
- Customer contribution to various working groups on quality, bidding for contracts and communications
- 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 and offer peer support, participating in and supporting the direct delivery of services

### Complaints and Suggestions

There is an organisational policy and clear procedure for the reporting and recording of comments, suggestions and complaints with systems in place for monitoring the outcome, 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 Board.

### 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 year through the normal management and governance process.

The Board cannot delegate ultimate responsibility for the system of internal control but it has delegated authority to the Resources Committee to regularly review the effectiveness of the system of internal control. The Board receives the minutes of all Resources Committee meetings. The Resources 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 and a revised register is in place to support the new plan from April 2015. The key risks within the plan are monitored through the Corporate Performance Framework. The risk register is reviewed annually by the Board and six monthly at 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:

- New Government policies will create more need and demand whilst at the same time reductions in public spending will be implemented



## Report of the Board of Trustees (Continued)

- Services are closed altogether as local authorities consolidate reduced services
- Funding restrictions lead to reductions in level and quality of services
- Changes to the Benefits structure and the impact on our customers, cash flow and debt recovery
- Limits to housing benefit payments and entitlements will affect rental income
- The four year on year rent reductions required of Registered Social Landlords (RSLs) and the capping of rents at Local Housing Allowance (LHA) levels
- The Government review of the funding mechanisms for supported housing
- Private sector prime contractors delivering Transforming Rehabilitation create disruption in service pathways for ex-offenders
- The trend towards larger 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 significant variance reported to Board committees on a three 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 implemented through the following activity:

- Encouragement of environmental responsibility amongst our stakeholders, including customers, 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 Resources subcommittee 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 and gained full assurance in 2015/16.

### 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 Stone Enterprises Limited, was established in February 2014 but has yet to begin trading so was dormant during the year. This Company has not been consolidated within these financial statements on the grounds that it is dormant and not material to the Company.

## **Report of the Board of Trustees (Continued)**

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

The Trustees are responsible for preparing the Strategic Report, the Trustees' Report and the financial statements in accordance with applicable law and regulations.

Company law and registered social housing legislation requires the Trustees to prepare financial statements for each financial period. Under that law Trustees (who are also Directors 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 year. 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; and
- 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 Housing SORP 2014 Statement of Recommended Practice for Social Housing Providers.

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 Financial statements 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. Our services and funding continue to be at risk from cuts to Local Authority funding, and a number of services came to an end during 2015/16. 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. New work has already been gained in 2016/17 including the novation of the Legal Aid Service from a local charity which will enable Foundation to bring in new income streams and add value for our customer base.

### **Annual general meeting**

The annual general meeting will be held on 13 September 2016.

**Report of the Board of Trustees (Continued)****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 auditor, RSM UK Audit LLP (formerly Baker Tilly UK Audit LLP) has indicated their willingness to continue in office.

This report was approved by the Board on 13 September 2016 and signed on its behalf by:

Chair of the Board

## Operating and Financial Review

### Activities

Foundation works with people who, for various reasons such as homelessness, domestic abuse, release from prison or family breakdown, need help to establish a full and independent life in their local community. The support Foundation provides is personalised for each customer and can include help to manage a tenancy, look for work, tackle addictions, improve family relationships and access basic services such as the NHS or setting up a bank account. Foundation operates across the North of England running a wide variety of projects working with local authorities and other 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 charity. 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 consultation with staff, customers and partners, the Board have developed a new Strategic Business Plan from April 2015 which charts a fresh course for the Company in deepening the engagement of customers in all aspects of its work through taking a Co-production approach; developing radical new service models which respond positively to the challenges of welfare reform and low wages and diversifying our income base.

Our new Vision

***“Inclusive communities where everyone matters”***

reflects a commitment to work more closely with and for the communities in which Foundation delivers its services.

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

***“We build rewarding futures through recognising people’s strengths, championing their voices and working in partnership to deliver excellent services.”***

Our four core values govern everything we do and form the basis of our strategic goals:

- ***Empowerment***
- ***Inclusion***
- ***Innovation***
- ***Professionalism***

### 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 wholly 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. Foundation’s work with its customers and the wider community not only builds better lives for individuals it also leads to improvements in social cohesion, reduction in crime and the promotion of community safety.

## Operating and Financial Review (continued)

During 2015/16, Foundation worked with 3,614 individual customers to assist them in achieving their goals for a better life.

Some examples of our customers' achievements on leaving our services are:

- 816 customers gained new settled accommodation.
- 1,161 customers maximised their income.
- 561 customers managed their debts better.
- 115 customers secured paid work.
- 263 customers took up education and training.
- 708 customers managed their mental health better.
- 557 customers were supported to improve the management of their substance misuse.
- 474 customers complied fully with their statutory court orders.
- 590 customers were helped to stay safe.
- 655 customers managed their physical health better.

Foundation works alongside customers to recognise and celebrate their progress using the following set of measures which customers have said are meaningful to them in measuring inclusion:

- 76% of our customers left the service registered with a dentist.
- 97% of our customers left the service registered with a GP.
- 24% of our customers left the service currently involved in a club, society or other community activity.
- 96% of our customers left the service with a bank or post office account.
- 83% of our customers left the service with regular access to the Internet.
- 49% of our customers left the service registered to vote.
- 41% of our customers left the service using a local library.
- 18% of our customers left the service in paid work.
- 7% of our customers who left the service were participating in accredited training or education.

Additional outcomes scores at exit:

- 39% of our customers who left the service had undertaken some type of informal learning within the last six months.
- 8% of our customers who left the service had used emergency medical services in the last six months (a reduction from 23% on entry to our services).
- 16% of our customers who left the service had either been charged with an offence or been in prison within the last six months (a reduction from 42% on entry to our services).

Accommodation:

- 84% of our customers had a planned move on from our support and accommodation.

**Co-production now sits at the heart of all work with customers.** Co-production means where ever possible involving customers as equal partners with staff and trustees in making decisions and delivering services. This will both improve the quality of Foundation's services and build the confidence of customers.

Our new policy places a duty on all staff to provide opportunities for customers to be involved in influencing and delivering Foundation's work.

There are many ways of involving customers in delivering activities and decision making across Foundation which are useful and enjoyable. We want to increase the number and type of activities where staff and customers are **equal partners** bringing their different strengths and experiences to improving Foundation services.

## Operating and Financial Review (continued)

### Performance against targets for 2015/16

A Corporate Acton Plan for the year was developed following the adoption of the Strategic Plan for 2015-18 with targets for achievement under each Goal:

#### 1. Empowerment

- i. Extend volunteering across the organisation with new opportunities for customers
- ii. Co-production group to be established to oversee policy development and action
- iii. New ways of recognising and rewarding exceptional service by staff
- iv. Accreditation for customer involvement

#### 2. Inclusion

- i. More people employed who have lived experience of a customer related concern such as offending or homelessness
- ii. Research with customers on health needs and service options
- iii. Make progress on our Diversity Action Plan

#### 3. Innovation

- i. New service models developed with customers to meet changing needs and aspirations
- ii. A comprehensive review of our hostel operating and costing model
- iii. Pilot a new management structure in Operations
- iv. New partnerships for growth and diversification

#### 4. Professionalism

- i. Develop a new website and undertake a brand re-fresh
- ii. Improve upon the deficit budget set at the outset of 2015/16
- iii. Improve our performance on the collection of rents and management of voids
- iv. Develop a comprehensive performance framework to track progress on targets across the business
- v. Reduce our carbon footprint by 2% and set team based targets to reduce energy consumption and travel costs.

In spite of a largely hostile external environment the organisation has every right to feel proud of the significant shifts we have made in culture and ways of working and the tangible outputs achieved through this first year of the Strategic Plan.

- The improvement in performance on rents and voids are evidence of an increase in discipline and focus which has gone hand in hand with greater willingness to pilot new ways of working and involve customers far more in our day to day activities.
- We have been far more outward looking, forming new partnerships with organisations outside our sector and being proactive in seeking opportunities to influence and participate.
- Colleagues at all levels across the organisation have embraced the concept and principles of co-production with enthusiasm. We are far from achieving our ambitions here but the levels of activity and proactive work to increase involvement for customers have been steadily rising through the year.
- We have made great progress on volunteering, both in winning hearts and minds and recruiting volunteers in every team

Unfortunately due to reduced capacity and budget pressures we have not achieved the progress we were seeking in campaigns and new service developments such as community hubs and social enterprise. However, the past year with all its successes and challenges has reinforced the relevance of the approach set out in the Strategic Plan. Delivering services in community settings, adaptable and person centred support, an increased focus on partnership, diversifying income and recognising the assets customers bring to us all have the capacity to place Foundation at the forefront of our sector, delivering better support to those who matter most.

Performance against our major targets is set out below.

## Operating and Financial Review (continued)

### Empowerment

- i. **Volunteering** has been successfully extended across the organisation with a new strategy, a range of support materials to enable staff to engage volunteers well and the establishment of our own Volunteer Bureau. 39 volunteers had contributed over 2,400 hours of their time by the end of the year.
- ii. **Co-production:** The Co-production group has driven co-production towards the top of Foundation's agenda. A new policy has been developed which sets out Foundation's ambition to become an organisation that delivers *with* its customers rather than *for* them. The policy recognises that customers are "experts by experience" and have strengths and skills which **Foundation should acknowledge** and develop. A Co-production toolkit is being developed to support teams and customers, with practical examples of good practice and all involvement and empowerment activities are recorded against the Ladder of Participation. This tracks progress on increasing activities at the higher levels. We held over 150 customer involvement activities across the year, with a small number such as interviewing for new staff and making decisions about the new website being true co-production. We aim for 10% of activities to be co-production in the year ahead.
- iii. **Recognising staff:** The Organisational Oscars were a great success in recognising and celebrating the amazing achievements of staff who went the extra mile for customers and for the organisation. Benchmarking was undertaken this year with further work on staff reward and recognition in train for 2016/17
- iv. **CERTA Accreditation for customers** has been developed, piloted and rolled out in a small number of teams with excellent results. Work to extend the accreditation across teams and customers groups is now underway.

### Inclusion

- i. **Staff with customer experience:** For 2015/16 the target of 15% of staff having life experience which mirrors that of our customers has been further exceeded at 19%.
- ii. **Health needs:** Our 2015 customer survey showed that health was the third highest priority for customers after secure housing and adequate income. All customers are now offered a comprehensive health assessment within 12 weeks of joining Foundation and the results used to ensure they receive the specialist services they need as well helping to devise self-help solutions for healthier life styles. Evaluation by customers has been overwhelmingly positive. NHS cuts in a number of localities have hampered progress on access to mental health services and securing appropriate support for our customers in this vital area will remain a priority for Foundation in the year ahead.
- iii. **Diversity:** A new Lead Officer and Diversity Champion on the Trustee Board have been appointed and new content on diversity and equality included on the web-site. A review of diversity training has been undertaken with revised course materials being commissioned as part of Foundation's new e-learning portal. All offices have been audited for DDA compliance and where access issues have been identified fully compliant alternative delivery premises have been secured. Diversity data for recruitment and selection is now routinely reported to Trustees and compared with local diversity statistics for each geographical area.

### Innovation

- i. **New services:** A feasibility study was undertaken this year on the establishment of a social enterprise to deliver property repairs. Trustees remain committed to their ambitions of establishing social enterprise opportunities for customer volunteering and employment however the challenging financial environment and reduced staff capacity means implementation will be delayed until resources are available. Several teams have established a triage system for dealing with immediate customer needs which has been well received by customers and led to more effective use of staff time.  
Our bespoke programme, **Foundation 4 Change**, which helps the perpetrators of domestic abuse tackle and change their behaviour has gone from strength to strength with excellent outcomes for families and strong positive results from the external evaluators at Sheffield University. Extending the programme to new areas will be a target for the year ahead.



## Operating and Financial Review (continued)

- ii. **Hostels:** A comprehensive review of the current costing and delivery model for our young people's hostel accommodation was undertaken and an Action Plan put in place to implement changes to improve the service to customers, tackle historic anomalies and achieve value for money. Successes are now being realised in reduced voids and improved customer outcomes. Further improvements in the cost base will be achieved in the year ahead as services are re-configured to meet new contract requirements.
- iii. **Management options:** The Operations Department developed and piloted a new management model designed to increase support to front line staff and improve the management of budgets and external relationships. A steering group of colleagues from across the organisation is monitoring impact and interim evaluations are positive. The pilot will conclude in Summer 2016.
- iv. **Partnerships:** All service managers have developed partnership maps at local level which are now used to both deliver more integrated services to customers and build alliances for joint bids. Foundation joined Northern Soul in 2015, a network of like-minded charities and social enterprises operating across the North of England and submitted a partnership bid with two other organisations for community based health work. The bid was not successful but the partnership continues with joint work on a number of community health initiatives which we hope will bear fruit in the future.

### Professionalism

- i. **Website and brand:** A new and greatly improved website was developed this year alongside a brand refresh, with customers playing an equal role alongside staff in commenting on designs determining web content and decision making on the final versions. The whole process really put our co-production values into action and the results have received very positive reviews from customers, staff, wider stakeholders and funders.
- ii. **Finance:** In a difficult financial environment the Board set a deficit budget for the year and performance was better than anticipated as a result of significant cost savings made by all areas of the business detailed below under Value for Money.
- iii. **Rents and voids:** Rent collection was 90% for the year, falling short of the target of 94% which will remain for 2016/17. The position on voids has however improved considerably to an underlying position of 4.6% for the year with a target of 5% for 2015/16.
- iv. **Performance management:** The Corporate Performance Framework developed in 2014/15 has been extended and refined enabling regular tracking of key indicators across all parts of the business. Results are shared with managers and areas for improvement highlighted for action quickly and with review periods embedded. KPIs from the Framework are brought to Board and a more detailed suite of measures are monitored by Committees on a quarterly basis. The Framework has helped staff and customers see clearly where changes and improvements need to be made and helped to recognise and celebrate success when these are achieved.
- v. **Carbon footprint:** During 2015/16 we adopted a new method of calculating a more accurate and appropriate carbon footprint. This is based on premises utility usage and vehicle fuel used in the carrying out of our business. The baseline figure as at 31 March 2016 is 1.757 tonnes per FTE and we will aim to reduce this by 2% each year going forwards. As reported in the Value for Money section of the report Foundation has reduced mileage significantly and exceeded the 10% savings target set for the year.

### Value for Money (VFM)

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 (HCA) in January 2012 and a formal VFM strategy and policy was ratified by Trustees in February 2015. Data for 2015/16 is as follows:

- Standard of Accommodation: 72.4% of customers rated it as Great or Good
- Repairs and maintenance standards: 67.4% of customers rated as Great or Good
- Void loss 6.6% (Excluding exceptional contract closure the underlying rate is 4.6%)
- Bad debts cost 4%
- Central Services costs were 10.5% of organisational income.
- Travel costs target of 10% saving exceeded at 15.3%
- Utility bills reduced to 88.7% of target



## Operating and Financial Review (continued)

- New mobile phone contract delivering annualised savings of £30k

In addition to quantifiable financial savings the business has been targeting other areas in which we could improve VFM. The largest cost for Foundation is staffing and we commissioned an internal audit of our sickness and absence management practices against new policies and procedures issued earlier in the year. Although the audit gained significant assurance as a result of the report the HR team are rolling out a programme of coaching all managers. Reporting has been split to detail short and long term sickness and formal trigger points are in place for longer term absence home visits with the objective of getting employees back to work at the earliest opportunity.

### Ambitions for 2016/17

As we move into the second year of the Strategic Plan the economic environment continues to be very difficult both for our business and in its impact on the lives of our customers. The Trustees have set targets under each strategic goal which are stretching for the organisation but take account of the pressures coming from the wider operating environment. They include:

#### Empowerment

- 10% of customer engagement activity to be at the higher two levels of the Ladder of Participation
- A minimum of 10% of customers to be involved in co-production activity
- Volunteer targets set for all teams based on number of FTE staff in each team

#### Inclusion

- Achieve enhanced status in Investors in Diversity
- Undertake options appraisal and employ at least two apprentices
- Research options for a Foundation membership scheme for customers

#### Innovation

- Establishing social enterprise activity based on housing services
- Diversification into at least one service area not funded through local authority contracts
- Develop an enhanced employment readiness offer for customers

#### Professionalism

- Achieve enhanced status in Investors in People
- Achieve revised targets for rent collection, void and bad debt reduction
- Achieve new targets on repairs completion rates
- Deliver training to all staff on motivational interviewing and improve access to qualifications for managers

#### 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 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 policies of the new Government and the cumulative impact of year on year cuts leading to service closure.
- The current economic situation leading to a rise in demand for services coupled with cutbacks in local government spending plans.

**Operating and Financial Review (continued)**

- The destabilising effect of Transforming Rehabilitation and other criminal justice reforms on the provision and funding mechanisms for services for ex-offenders.
- The adverse impact of poor investment returns leading to a greater burden on the business from the pension deficit liabilities

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 public policy framed by austerity, and the company's ability to sustain competitiveness during the times of increased uncertainty and continued reductions in 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 regularly by SMT, quarterly by Committees and at least twice a year by the Board.

**Accounting Policies**

The Company's principal accounting policies are set out on pages 22 to 25 of the financial statements.

**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.

**Capital structure and treasury policy**

Foundation does not have any loan facilities, the Company is supported by the current cash in hand of £1,122k (2015: £1,696k).

**Cashflows**

Cash inflows and outflows for the year are shown in the cashflow statement on page 21. The net cash outflow in the year was £574k (2015: £333k).

**Statement of Compliance**

In preparing this Operating and Financial Review, the Board has endeavoured to follow the principles set out in SORP 2014 'Accounting by Registered Social Housing Providers' .

**INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF FOUNDATION**

We have audited the financial statements of Foundation for the year ended 31 March 2016 (the "financial statements") on pages 19 to 43. 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 with 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 Trustees and auditor**

As explained more fully in the Trustee's Responsibilities Statement set out on page 8, the Trustees (who are also the directors of the 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.

We have been appointed auditors under the Companies Act 2006 and section 151 of the Charities Act 2011 and report in accordance with those Acts.

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/auditscopeukprivate>

**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 2016 and of the Company's income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly 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 2015.

**Opinion on other requirement of the Companies Act 2006**

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

**INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF FOUNDATION (continued)****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

ANDREW ALLCHIN (Senior Statutory Auditor)

For and on behalf of RSM UK AUDIT LLP (formerly Baker Tilly UK Audit LLP), Statutory Auditor

Chartered Accountants

2 Whitehall Quay

Leeds

LS1 4HG

2016

**Statement of Income and Reserves  
for the year ended 31 March 2016**

	Note	2016 £'000	2015 £'000
Turnover	3	12,344	14,301
Operating costs	3	<u>(12,567)</u>	<u>(13,979)</u>
<b>Operating (Deficit)/Surplus</b>		<b>(223)</b>	<b>322</b>
Interest receivable and other income	6	8	30
Interest payable and similar charges	7	<u>(41)</u>	<u>(66)</u>
<b>(Deficit)/Surplus on ordinary activities before taxation</b>		<b>(256)</b>	<b>286</b>
Tax on (deficit)/surplus on ordinary activities		<u>-</u>	<u>-</u>
<b>(Deficit)/Surplus for the financial year</b>	5	<b>(256)</b>	<b>286</b>
Actuarial loss in respect of pension schemes	21	<u>(769)</u>	<u>(146)</u>
<b>Total Comprehensive Income</b>		<b>(1,025)</b>	<b>140</b>
<b>Reserves at 1 April</b>		<u>34</u>	<u>(106)</u>
<b>Reserves at 31 March</b>		<b><u>(991)</u></b>	<b><u>34</u></b>

The notes on pages 22 to 43 form part of these financial statements.

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

Chair: Nigel Lockett

Chair of Resources: David Powell

**Balance Sheet  
as at 31 March 2016**

	Note	2016 £'000	2015 £'000
<b>Tangible fixed assets</b>			
Housing properties	10	534	531
Other tangible fixed assets	11	<u>593</u>	<u>649</u>
		1,127	1,180
<b>Investments</b>			
Investment in subsidiary	12	<u>-</u>	<u>-</u>
<b>Total fixed assets</b>		<b>1,127</b>	<b>1,180</b>
<b>Current assets</b>			
Debtors	13	928	1,056
Cash and cash equivalents		<u>1,122</u>	<u>1,696</u>
		2,050	2,752
<b>Creditors:</b> Amounts falling due within one year	14	<u>(1,368)</u>	<u>(1,499)</u>
<b>Net current assets</b>		<b>682</b>	<b>1,253</b>
<b>Total assets less current liabilities</b>		<b>1,809</b>	<b>2,433</b>
<b>Creditors:</b> Amounts falling due after more than one year	15	-	(147)
<b>Provisions for liabilities</b>			
Pension provision	21	(2,800)	(2,252)
		<u>(2,800)</u>	<u>(2,399)</u>
<b>Net Assets</b>		<b>(991)</b>	<b>34</b>
<b>Capital and reserves</b>			
Reserves	16	(991)	34
		<u>(991)</u>	<u>34</u>

The financial statements on pages 19 to 43 were approved by the Board and authorised for issue on and are signed on its behalf by:

Chair: Nigel Lockett

Chair of Resources: David Powell

Company Secretary: Maggie Jones

**Cashflow Statement  
for the year ended 31 March 2016**

	Note	2016 £'000	2015 £'000
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	22	(533)	(333)
<hr/>			
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of tangible fixed assets		(49)	(9)
<hr/>			
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		(49)	(9)
<hr/>			
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Interest received		8	9
<hr/>			
<b>NET CASH FROM FINANCING ACTIVITIES</b>		8	9
<hr/>			
<b>Decrease in cash and cash equivalents</b>		<b>(574)</b>	<b>(333)</b>
<b>Brought forward cash and cash equivalents</b>		1,696	2,029
<hr/>			
<b>Carried forward cash and cash equivalents</b>		<b>1,122</b>	<b>1,696</b>
<hr/>			

## Notes to the Financial Statements for the year ended 31 March 2016

### 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. The address of the Company's registered office and principal place of business is Tennant Hall, Blenheim Grove, Leeds, LS2 9ET. The Company's principal activities are provided on page 3.

### 2. Accounting Policies

#### Basis of Accounting

##### First time adoption of FRS 102

These financial statements are the first financial statements of Foundation prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS 102). The financial statements of Foundation for the year ended 31 March 2015 were prepared in accordance with previous UK GAAP.

Some of the FRS 102 recognition, measurement, presentation and disclosure requirements and accounting policy choices differ from previous UK GAAP. Consequently, the directors have amended certain accounting policies to comply with FRS 102. The directors have also taken advantage of certain exemptions from the requirements of FRS 102 permitted by FRS 102 Chapter 35 'Transition to this FRS'.

Comparative figures have been restated to reflect the adjustments made, except to the extent that the directors have taken advantage of exemptions to retrospective application of FRS 102 permitted by FRS 102 Chapter 35 'Transition to this FRS'. Adjustments are recognised directly in general reserves at the transition date.

#### Basis of Preparation

These financial statements have been prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102"), the Housing SORP 2014 "Statement of Recommended Practice for Registered Housing Providers" and the comply with the Accounting Direction for Private Registered Providers of Social Housing 2015, and under the historical cost convention, modified to include certain financial instruments at fair value.

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

#### Going Concern

These Financial statements 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. Our services and funding continue to be at risk from cuts to Local Authority funding, and a number of services came to an end during 2015/16. 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. New work has already been gained in 2016/17 including the novation of the Legal Aid Service from a local charity which will enable Foundation to bring in new income streams and add value for our customer base. The budget for 2016/17 is for a small operating surplus and the four month management accounts demonstrate that savings are being made and performance is significantly ahead of budget. Senior Management is working with all teams across Foundation to improve business performance and deliver a surplus. It should be noted that the majority of the deficit has arisen from the adoption of FRS102 in particular with regard to the pension scheme and the tier four contributions levied by the Pensions Trust after the 2014 Triennial revaluation with effect from April 2016.



**Notes to the Financial Statements for the year ended 31 March 2016 (Continued)****2. Accounting Policies (continued)****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 at the fair value at time of receipt.

**Service Charges**

The Company 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 only recovered at 1% of VAT incurred and therefore VAT effectively represents a 20% additional cost to the Company where charged.

**Interest Payable**

Interest payable is charged to the Statement of Total Comprehensive Income in the period it falls due.

**Pensions**

Foundation is a member of the Social Housing Pension scheme administered by The Pensions Trust. The current scheme is a Defined Contribution scheme as the Defined Benefit scheme was closed as at 31 March 2013. The company is required to contribute to the deficit recovery plan for the defined benefit scheme and the adoption of FRS102 has created the negative position on the balance sheet and the addition of the tier four contribution requirements has caused the material charge of £769k to the statement of total comprehensive income in 2015/16. 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 Statement of Total Comprehensive Income in the same period as the expenditure to which they relate. Grants in respect of capital expenditure are credited to liabilities and released over the life of the associated asset. Non-Government grants in respect of capital expenditure are credited to the Statement of Comprehensive Income as and when grant performance obligations are fulfilled.

**Contract Income**

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

**Notes to the Financial Statements for the year ended 31 March 2016 (Continued)**

**2. Accounting Policies (continued)**

**Retirement Benefits**

Defined contribution scheme costs are accounted for in the period in which they are incurred. Any differences between costs incurred and cash payments made are included as accruals or prepayments.

Foundation participates in the Social Housing (SHPS) defined benefits scheme (closed to new members and accruals March 31 2013). All contributions are related to the scheme deficit funding requirements and have been recognised on a net present value basis on the balance sheet in accordance with FRS102 and charged to income and expenditure.

**Employee Benefits**

The costs of short term employee benefits are recognised as a liability and an expense. The holiday year ends at the reporting date and employees are entitled to carry forward up to five days of unused leave at that date. The cost of any unused entitlement is recognised in the period in which the employee's services are received.

The best estimate of the expenditure required to settle an obligation for the termination of benefits is recognised immediately as an expense when Foundation is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

**Housing Properties**

At 31 March 2016 the Company owned eight housing properties which are carried on the balance sheet at cost. Following the implementation of the Statement of Recommended Practice (SORP) - Accounting by Registered Social Housing Providers - 2014, the company has implemented component accounting. The Company had previously not adopted this under SORP 2010 on the grounds of materiality. As a result the changes brought about by the SORP 2010 and confirmed in SORP 2014 together with the detailed guidance in the Technical Notes, the Company has revised the estimated useful lives applied which are detailed below.

Building	100 years
Roof Tile	50 years
Windows and doors	30 years
Boiler and fire	15 years
Kitchen	20 years
Bathroom	30 years
Radiators	30 years
Wiring	30 years
Grant	25 years

Management have considered the impairment review rules and concluded that this is not required at the present time. The 1% rent reduction policy currently does not apply to supported housing. Also, although the company has booked an operating loss for 2015-16, the operating loss was caused by exceptional circumstances surrounding the closure of a major contract and does not reflect the capacity of the Company to generate a surplus going forwards.

Housing properties are properties held for the provision of social housing or to otherwise provide social benefit.

Completed housing properties are principally properties available for rent and are stated at historical cost less accumulated depreciation and impairment losses. Cost includes the cost of acquiring land and buildings and development costs.

Works to existing properties, which replace a component that has been treated separately for depreciation purposes, along with those works that result in an increase in net rental income over the lives of the properties, thereby enhancing the economic benefits of the assets, are capitalised as improvements.

**Notes to the Financial Statements for the year ended 31 March 2016 (Continued)**

**2. Accounting Policies (continued)**

**Investments**

Fixed asset investments are recorded at cost less any provision for impairment losses.

**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.

**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
Other properties	4% on cost
Buildings fixtures	10% on cost, or over life of the lease
Other tangible fixed assets	33 $\frac{1}{3}$ % on cost

**Operating Leases**

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

**Reserves**

The Company establishes restricted reserves for specific purposes where their use is subject to external restrictions and designated reserves are earmarked for a particular purpose.

**Critical accounting judgements and estimation uncertainty**

Estimates and judgements are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

**(i) Useful economic lives of tangible assets**

The annual depreciation charge for tangible fixed assets is sensitive to the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are reassessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See notes 10 and 11 for the carrying amount of fixed assets and note 2 for the useful economic lives of each class of assets

**(ii) Lease classification**

In categorising leases as finance or operating leases, management makes judgements as to whether significant risks and rewards of ownership have transferred to the Company as lessee.

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**Notes to the Financial Statements for the year ended 31 March 2016 (Continued)**
**3. Turnover, operating costs and operating (Deficit)/Surplus****Continuing activities**

	2016 Turnover £'000	2016 Operating costs £'000	2016 Operating (Deficit)/Surplus £'000	2015 Turnover £'000	2015 Operating costs £'000	2015 Operating Surplus/(Deficit) £'000
<b>Social housing activities</b>						
Income and expenditure from lettings	4,526	(4,539)	(13)	4,696	(4,323)	373
<b>Other social housing activities</b>						
Supporting people contract income	7,162	(7,384)	(222)	8,736	(9,013)	(277)
Other social housing income and expenditure	115	(113)	2	367	(378)	(11)
<b>Non-social housing activities</b>	541	(531)	10	502	(265)	237
<b>Total</b>	<b>12,344</b>	<b>(12,567)</b>	<b>(223)</b>	<b>14,301</b>	<b>(13,979)</b>	<b>322</b>

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**Notes to the Financial Statements for the year ended 31 March 2016 (Continued)**
**3. Turnover, cost of sales, operating costs and operating (deficit)/surplus (continued)**
**Particulars of income and expenditure from social housing lettings**

	2016	2015
	Supported Housing £'000	Supported Housing £'000
<b>Turnover from social housing lettings</b>		
Rent and service charges receivable	4,526	4,696
<b>Net rental income</b>	<b>4,526</b>	<b>4,696</b>
Other revenue grants	-	-
<b>Turnover from social housing lettings</b>	<b>4,526</b>	<b>4,696</b>
<b>Expenditure on social housing lettings</b>		
Rent	(2,581)	(2,683)
Costs relating to tenants	(27)	(23)
Light and heat	(94)	(102)
Routine maintenance	(206)	(173)
Planned maintenance	(731)	(620)
Staff costs	(800)	(621)
Other Costs	(128)	(101)
Bad Debts Provision	28	(42)
<b>Operating costs on social housing lettings</b>	<b>(4,539)</b>	<b>(4,323)</b>
<b>Operating (Deficit)/Surplus on social housing lettings</b>	<b>(13)</b>	<b>373</b>

**4. Accommodation in management and development**

At the end of the year, accommodation in management was as follows:

	2016	2015
	Units	Units
Supported housing-owned	8	8
Supported housing managed	615	680
<b>Total units</b>	<b>623</b>	<b>688</b>

**Notes to the Financial Statements for the year ended 31 March 2016 (Continued)**
**5. Operating (deficit)/surplus**

This is arrived at after charging/(crediting)

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Release of capital grant	(7)	(22)
Depreciation of tangible fixed assets	102	122
Operating lease rentals		
- land and buildings	202	202
- office equipment	26	27
External Auditor's remuneration (including VAT)		
- external audit services	17	16
- accountancy and taxation services	4	-

**6. Interest receivable and other income**

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
FRS 17 Net finance income	-	21
Bank interest	8	9
	<b>8</b>	<b>30</b>

**7. Interest payable and similar charges**

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Pension scheme – net finance charge	41	66
	<b>41</b>	<b>66</b>

**8. Employees**

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

	<b>2016</b>	<b>2015</b>
	<b>Average</b>	<b>Average</b>
	<b>Number</b>	<b>Number</b>
Charitable work	282	363
Support services	33	35
	<b>315</b>	<b>398</b>

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

	<b>2016</b>	<b>2015</b>
	<b>Average</b>	<b>Average</b>
	<b>FTEs</b>	<b>FTEs</b>
Charitable work	231	278
Support services	30	30
	<b>261</b>	<b>308</b>

**Notes to the Financial Statements for the year ended 31 March 2016 (Continued)**

**8. Employees (continued)**

Employee costs:

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Wages and salaries	6,847	7,480
Social security costs	521	619
Other pension costs	181	274
	<b>7,549</b>	<b>8,373</b>

The Company's employees were eligible to be members of the Social Housing Pension Scheme. Further information on the scheme is given at note 21.

**9. Executive Officers' and senior staff emoluments**

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Aggregate emoluments paid to all Executive Officers, excluding pension contributions	258	261
Aggregate amount of all Executive Officers' pensions	6	8
Emoluments of the Chief Executive, who was also the highest paid employee, excluding pension contributions	77	78

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

	<b>2016</b>	<b>2015</b>
	<b>Number</b>	<b>Number</b>
More than £70k but not more than £80k	1	1

Executive officers are entitled to the same company pension contributions into a defined contribution scheme as all other employees. The Chief Executive and Executive Directors are deemed to be the key management personnel of the Charity.

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:

	<b>2016</b>	<b>2015</b>
	<b>Number</b>	<b>Number</b>
Number of Trustees who were paid expenses	5	8

Trustee expenses of £1,337 (2015: £2,962) comprise travel and sundry expenses attendance allowances.

**Notes to the Financial Statements for the year ended 31 March 2016 (Continued)**

**10. Tangible fixed assets – housing properties**

	<b>Social housing properties held for letting £'000</b>
<b>Cost</b>	
At 1 April 2015	730
Additions	26
	<hr/>
At 31 March 2016	756
	<hr/> <hr/>
<b>Depreciation</b>	
At 1 April 2015	199
Charge for year	23
	<hr/>
At 31 March 2016	222
	<hr/> <hr/>
<b>Net book value</b>	
At 31 March 2016	<b>534</b>
	<hr/> <hr/>
At 31 March 2015	<b>531</b>
	<hr/> <hr/>

Included in the above is a property in Scarborough. There is a 30 year charge on the property that is being used to house vulnerable people.



**Notes to the Financial Statements for the year ended 31 March 2016 (Continued)**
**11. Tangible fixed assets – Other**

	Freehold Property £'000	Office/Leasehold Fixtures £'000	Furniture Equipment £'000	Computer & Accessories £'000	Motor Vehicles £'000	Total £'000
<b>Cost</b>						
At 1 April 2015	827	440	45	431	2	1,745
Additions	-	3	1	19	-	23
Disposals	-	-	(3)	(158)	(2)	(163)
At 31 March 2016	827	443	43	292	-	1,605
<b>Depreciation</b>						
At 1 April 2015	251	371	41	431	2	1,096
Depreciation charge for the year	28	42	3	6	-	79
Disposals	-	-	(3)	(158)	(2)	(163)
At 31 March 2016	279	413	41	279	-	1,012
<b>Net book value</b>						
At 31 March 2016	548	30	2	13	-	593
At 31 March 2015	576	69	4	-	-	649

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 2016, this has not been executed. The contingent liability is set out in note 20.

**Notes to the Financial Statements for the year ended 31 March 2016 (Continued)**

<b>12. Investments</b>	<b>Investment in subsidiary £</b>
1 April 2015 and 31 March 2016	1

The investment represents a holding of the issued share capital of Foundation Stone Enterprises Limited which is currently dormant.

**13. Debtors**

	<b>2016 £'000</b>	<b>2015 £'000</b>
Rent and service charges receivable	510	503
Less: provision for bad and doubtful debts	(231)	(259)
	<hr/> 279	<hr/> 244
Other debtors	395	554
Prepayments and accrued income	254	258
	<hr/> <b>928</b>	<hr/> <b>1,056</b>

**14. Creditors: amounts falling due within one year**

	<b>2016 £'000</b>	<b>2015 £'000</b>
Trade creditors	133	193
Other taxes and social security	118	148
Other creditors	141	115
Accruals	440	701
Deferred income	389	335
Deferred government grant (note 18)	147	7
	<hr/> <b>1,368</b>	<hr/> <b>1,499</b>

**15. Creditors: amounts falling due after one year**

	<b>2016 £'000</b>	<b>2015 £'000</b>
Deferred government grant (note 18)	-	147
	<hr/> <b>-</b>	<hr/> <b>147</b>

**Notes to the Financial Statements for the year ended 31 March 2016  
(Continued)**

**16. Reserves**

	<b>General Reserve £'000</b>	<b>Designated Reserve £'000</b>	<b>Unrestricted Total £'000</b>
At 1 April 2015	(485)	519	34
Deficit for the year	(256)	-	(256)
Actuarial Loss	(769)	-	(769)
Transfers to general reserve	20	(20)	-
	<hr/>	<hr/>	<hr/>
At 31 March 2016	(1,490)	499	(991)

<b>Designated Reserves</b>	<b>1 April 2015 £'000</b>	<b>Income £'000</b>	<b>Expenditure £'000</b>	<b>Transfers £'000</b>	<b>31 March 2016 £'000</b>
St Peter's Building Innovation and Project Development	367	-	(18)	-	349
Scarborough Property Fund	13	-	-	-	13
	139	-	(2)	-	137
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total designated reserves</b>	<b>519</b>	<b>-</b>	<b>(20)</b>	<b>-</b>	<b>499</b>

While the amounts included in Designated reserves are contractually committed at the year end, the Trustees have earmarked the funds for the purposes listed below:

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 **Innovation and Project Development Fund** comprises a specific legacy for a North Yorkshire team and will be spent in 2016/17.

The **Scarborough Property Fund** is a property comprising three flats which was donated to Foundation comprising a specific legacy for a North Yorkshire team and will be spent in 2016/17.

**17. Capital commitments**

The company had no capital commitments as at 31 March 2016 (31 March 2015: none).

**18. Deferred government grant**

	<b>2016 £'000</b>	<b>2015 £'000</b>
Balance at 1 April	154	162
Received during the year	-	-
Released during the year	(7)	(8)
	<hr/>	<hr/>
Balance at 31 March	<b>147</b>	<b>154</b>

**Notes to the Financial Statements for the year ended 31 March 2016  
(Continued)**

**19. Other commitments**

At 31 March 2016 the company had total future minimum payments under non-cancellable operating leases as follows:

	Land and Buildings		Other	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Expiry Date:				
Within one year	166	225	24	27
Between two and five years	77	173	51	56
	<u>243</u>	<u>398</u>	<u>75</u>	<u>83</u>

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.

**20. 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 2016 amounted to £433,746 (2015: £433,746)

This is made up of:	£'000
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.

**21. Pension Obligations**

**Social Housing Pension Scheme (SHPS)**

The company participates in the scheme, a multi-employer scheme which provides benefits to some 500 non-associated employers. The scheme is a defined benefit scheme in the UK.

The scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

**Notes to the Financial Statements for the year ended 31 March 2016  
(Continued)**

**21. Pension Obligations (continued)**

The scheme is classified as a 'last-man standing arrangement'. Therefore the company is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from the scheme.

A full actuarial valuation for the scheme was carried out with an effective date of 30 September 2014. This actuarial valuation was certified on 23 November 2015 and showed assets of £3,123m, liabilities of £4,446m and a deficit of £1,323m. To eliminate this funding shortfall, the trustees and the participating employers have agreed that additional contributions will be paid, in combination from all employers, to the scheme as follows:

Deficit contributions

<b>Tier 1</b>		£40.6m per annum
From 1 April 2016 to 30 September 2020:	(payable monthly and increasing by 4.7% each year on 1 <sup>st</sup> April)	
<b>Tier 2</b>		£28.6m per annum
From 1 April 2016 to 30 September 2023:	(payable monthly and increasing by 4.7% each year on 1 <sup>st</sup> April)	
<b>Tier 3</b>		£32.7m per annum
From 1 April 2016 to 30 September 2026:	(payable monthly and increasing by 3.0% each year on 1 <sup>st</sup> April)	
<b>Tier 4</b>		£31.7m per annum
From 1 April 2016 to 30 September 2026:	(payable monthly and increasing by 3.0% each year on 1 <sup>st</sup> April)	

Note that the scheme's previous valuation was carried out with an effective date of 30 September 2011; this valuation was certified on 17 December 2012 and showed assets of £2,062m, liabilities of £3,097m and a deficit of £1,035m. To eliminate this funding shortfall, payments consisted of the Tier 1, 2 & 3 deficit contributions.

Where the scheme is in deficit and where the company has agreed to a deficit funding arrangement, the company recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate detailed in these disclosures. The unwinding of the discount rate is recognised as a finance cost.

**Notes to the Financial Statements for the year ended 31 March 2016 (Continued)**
**21. Pension Obligations (continued)**

	31 March 2016 £'000	31 March 2015 £'000	31 March 2014 £'000
Present value of provision	2,800	2,253	2,334

**RECONCILIATION OF OPENING AND CLOSING PROVISIONS**

	Period Ending 31 March 2016 £'000	Period Ending 31 March 2015 £'000
Provision at start of year	2,253	2,334
Unwinding of the discount factor (interest expense)	41	66
Deficit contribution paid	(262)	(252)
Remeasurements - impact of any change in assumptions	(17)	105
Remeasurements - amendments to the contribution schedule	786	-
Provision at end of year	<b>2,800</b>	<b>2,253</b>

**INCOME AND EXPENDITURE IMPACT**

	Period Ending 31 March 2016 £'000	Period Ending 31 March 2015 £'000
Interest expense	41	66
Remeasurements – impact of any change in assumptions	(17)	105
Remeasurements – amendments to the contribution schedule	786	-
Contributions paid in respect of future service*	-	-
Costs recognised in income and expenditure account	<b>810</b>	<b>171</b>

\*includes defined contribution schemes and future service contributions (i.e. excluding any deficit reduction payments) to defined benefit schemes which are treated as defined contribution schemes.

**ASSUMPTIONS**

	31 March 2016 % per annum	31 March 2015 % per annum	31 March 2014 % per annum
Rate of discount	2.06	1.92	3.02

The discount rates shown above are the equivalent single discount rates which, when used to discount the future recovery plan contributions due, would give the same results as using a full AA corporate bond yield curve to discount the same recovery plan contributions.

## Notes to the Financial Statements for the year ended 31 March 2016 (Continued)

### 21. Pension Obligations (continued)

The following schedule details the deficit contributions agreed between the company and the scheme at each year end period:

#### DEFICIT CONTRIBUTIONS SCHEDULE

Year ending	31 March 2016 £'000	31 March 2015 £'000	31 March 2014 £'000
Year 1	345	262	252
Year 2	359	274	262
Year 3	373	285	274
Year 4	388	297	285
Year 5	333	310	297
Year 6	273	252	310
Year 7	283	190	252
Year 8	236	197	190
Year 9	185	148	197
Year 10	191	94	148
Year 11	98	97	94
Year 12	-	50	97
Year 13	-	-	50
<b>Total</b>	<b>3,064</b>	<b>2,456</b>	<b>2,708</b>

The company must recognise a liability measured as the present value of the contributions payable that arise from the deficit recovery agreement and the resulting expense in the income and expenditure account i.e. the unwinding of the discount rate as a finance cost in the period in which it arises.

It is these contributions that have been used to derive the company's balance sheet liability.

**Notes to the Financial Statements for the year ended 31 March 2016 (Continued)**
**22. Reconciliation of (deficit)/surplus to net cash used in operating activities**

	2016 £'000	2015 £'000
<b>(Deficit)/surplus for the year</b>	(256)	286
Depreciation of tangible fixed assets	102	122
Interest receivable	(8)	(30)
Interest payable	41	66
Pension Costs	(262)	(252)
Release of capital grant	(7)	14
Donation of property	-	(145)
	(390)	61
<b>Working capital movements</b>		
Decrease/(increase) in debtors	128	(111)
Decrease in creditors	(271)	(283)
	(143)	(394)
<b>Net cash used in operations</b>	<b>(533)</b>	<b>(333)</b>

**23. Related parties**

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

**24. First time adoption of FRS 102**

Reconciliation and descriptions of the effect of the transition to FRS 102 on; (i) net assets at the date of transition to FRS 102; (ii) net assets at the end of the comparative period; and (iii) Surplus for the comparative period reported under SORP 2010 are given below.

Under FRS 102, the Statement of Cash Flows presents changes in cash and cash equivalents (which include cash in hand, deposits repayable on demand and overdrafts and short term, highly liquid investments), showing changes arising from operating activities, investing activities and financing activities separately. Under previous UK GAAP, the Cash Flow Statement presented changes in cash (which includes cash in hand, deposits repayable on demand and overdrafts) under the headings of operating activities, returns on investments and servicing of finance, capital expenditure and financial investment, acquisitions and disposals, management of liquid resources, and financing.



**Notes to the Financial Statements for the year ended 31 March 2016 (Continued)**
**24. Reconciliation of net assets on transition to FRS 102**

As at 31 March 2015	Notes	SORP 2010 £'000	Effect of transition to FRS 102 £'000	SORP 2014/FRS 102 £'000
<b>FIXED ASSETS</b>				
Housing properties - gross	C	1,180	-	1,180
Social Housing Grant	A	(460)	460	-
		<u>720</u>	<u>460</u>	<u>1,180</u>
Investments		-	-	-
		<u>720</u>	<u>460</u>	<u>1,180</u>
<b>CURRENT ASSETS</b>				
Debtors		1,056	-	1,056
Cash at bank and in hand		1,696	-	1,696
		<u>2,752</u>	<u>-</u>	<u>2,752</u>
CREDITORS: Amounts falling due within one year	D	(1,396)	(96)	(1,492)
		<u>1,356</u>	<u>(96)</u>	<u>1,260</u>
<b>NET CURRENT ASSETS</b>				
		<u>1,356</u>	<u>(96)</u>	<u>1,260</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>				
		2,076	364	2,440
<b>ACCRUALS DEFERRED INCOME</b>				
Deferred Government Grants	A,C	-	(154)	(154)
<b>NET ASSETS NOT INCLUDING PENSION LIABILITY</b>				
		2,076	210	2,286
Net pension liability	F	-	(2,252)	(2,252)
<b>NET ASSETS /(LIABILITIES) INCLUDING PENSION LIABILITY</b>				
		<u>2,076</u>	<u>(2,042)</u>	<u>34</u>
<b>CAPITAL AND RESERVES</b>				
Income and expenditure account	F, E,B, D, C	1,348	(1,833)	(485)
Designated reserves	B	737	(218)	519
Restricted reserves		(9)	9	-
		<u>2,076</u>	<u>(2,042)</u>	<u>34</u>
<b>RESERVES</b>				
		<u>2,076</u>	<u>(2,042)</u>	<u>34</u>

## Notes to the Financial Statements for the year ended 31 March 2016 (Continued)

### 24. Reconciliation of net assets on transition to FRS 102 (continued)

#### A. Social Housing Grants

Under SORP 2010, when social housing developments had been wholly or partly funded by grants, the cost of these developments was reduced by the amount of the grant received/receivable at the balance sheet date. Under SORP 2014/FRS102, social housing grants are disclosed separately from the underlying assets and are released to the Income Statement over the life of the underlying asset on a systematic basis.

#### B. Designated Reserves

The Board have historically adopted a policy of designating elements of the income and expenditure for certain purposes. Whilst SORP 2010 allowed these designated reserves to appear on the face of the balance sheet, SORP 2014 states that these designations should not be shown on the primary statement.

#### C. Amortisation of Social Housing Grant

The Board have adopted a policy under the accruals method whereby Social Housing Grant received is allocated in its entirety to the structure of the Housing Properties and released to the Income Statement over the useful life of the structure. This policy has resulted in an additional release to date of £334,721.

#### D. Holiday pay accrual

The board have historically not provided for sums due in respect of holiday entitlement earned but not taken at the year end. This sum is required to be accrued for under SORP 2014 and a sum of £96,394 has been provided at 31 March 2015.

#### E. Restricted Reserves

SORP 2014 provides additional clarification as to the recognition criteria of restricted reserves. On transition to FRS102 the Trustees have reassessed the presentation of certain reserves previously reported as restricted reserves, and have presented this in general reserves under FRS102.

#### F. SHPS Pension Deficit

Under SORP 2010 the pension deficit arising within this multi-employer pension scheme was not recognised within the balance sheet on the basis that the entity's share of pension assets and liabilities could not separately be identified. This is now recognised under SORP 2014, following actuarial valuation.

**Notes to the Financial Statements for the year ended 31 March 2016 (Continued)**
**24. Reconciliation of net assets on transition to FRS 102 (continued)**

As at 31 March 2014	Notes	SORP 2010 £'000	Effect of transition to FRS 102 £'000	SORP 2014/ FRS 102 £'000
<b>FIXED ASSETS</b>				
Housing properties	C	1,148	-	1,148
Social Housing Grant	A	(482)	482	-
Investments		<u>666</u>	<u>482</u>	<u>1,148</u>
Investments		-	-	-
		<u>666</u>	<u>482</u>	<u>1,148</u>
<b>CURRENT ASSETS</b>				
Debtors		986	-	986
Cash at bank and in hand		2,029	-	2,029
		<u>3,015</u>	<u>-</u>	<u>3,015</u>
CREDITORS: Amounts falling due within one year		(1,683)	(93)	(1,776)
		<u>1,332</u>	<u>(93)</u>	<u>1,239</u>
<b>NET CURRENT ASSETS</b>				
		<u>1,332</u>	<u>(93)</u>	<u>1,239</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>				
		1,998	389	2,387
<b>ACCRUALS DEFERRED INCOME</b>				
Deferred Government Grants	A,C	-	(162)	(162)
<b>NET ASSETS INCLUDING PENSION LIABILITY</b>				
		<u>1,998</u>	<u>227</u>	<u>2,225</u>
Net pension liability	F	-	(2,333)	(2,333)
<b>NET ASSETS INCLUDING PENSION LIABILITY</b>				
		<u>1,998</u>	<u>(2,106)</u>	<u>(108)</u>
<b>RESERVES</b>				
Income and expenditure account	F,C, B,D, E	1,234	(1,743)	(509)
Designated reserves	B	755	(354)	401
Restricted reserves		9	(9)	-
		<u>1,998</u>	<u>(2,106)</u>	<u>(108)</u>

## Notes to the Financial Statements for the year ended 31 March 2016 (Continued)

### 24. Reconciliation of net assets on transition to FRS 102 (continued)

#### A. Social Housing Grants

Under SORP 2010, when social housing developments had been wholly or partly funded by grants, the cost of these developments was reduced by the amount of the grant received/receivable at the balance sheet date. Under SORP 2014/FRS102, social housing grants are disclosed separately from the underlying assets and are released to the Income Statement over the life of the underlying asset on a systematic basis.

#### B. Designated Reserves

The Board have historically adopted a policy of designating elements of the income and expenditure for certain purposes. Whilst SORP 2010 allowed these designated reserves to appear on the face of the balance sheet, SORP 2014 states that these designations should not be shown on the primary statement.

#### C. Amortisation of Social Housing Grant

The Board have adopted a policy under the accruals method whereby Social Housing Grant received is allocated in its entirety to the structure of the Housing Properties and released to the Income Statement over the useful life of the structure. This policy has resulted in an additional release to date of £320,161

#### D. Holiday pay accrual

The board have historically not provided for sums due in respect of holiday entitlement earned but not taken at the year end. This sum is required to be accrued for under SORP 2014 and a sum of £93,245 has been provided at 31 March 2014.

#### E. Restricted Reserves

SORP 2014 provides additional clarification as to the recognition criteria of restricted reserves. On transition to FRS102 the Trustees have reassessed the presentation of certain reserves previously reported as restricted reserves, and have presented this in general reserves under FRS102.

#### F. SHPS Pension Deficit

Under SORP 2010 the pension deficit arising within this multi-employer pension scheme was not recognised within the balance sheet on the basis that the entity's share of pension assets and liabilities could not separately be identified. This is now recognised under SORP 2014, following actuarial valuation.

**Notes to the Financial Statements for the year ended 31 March 2016 (Continued)**

**24. Reconciliation of net assets on transition to FRS 102 (continued)**

COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2015	Notes	SORP 2010 £'000	Effect of transition to FRS 102 £'000	SORP 2014/FRS 102 £'000
TURNOVER		14,301	-	14,301
Operating costs		(14,213)	234	(13,979)
<b>OPERATING SURPLUS</b>	A, B, C	88	234	322
Interest receivable		30	-	30
Interest payable and similar charges	C	-	(66)	(66)
<b>SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		118	168	286
Taxation		-	-	-
<b>SURPLUS FOR YEAR</b>		118	168	286
Actuarial (loss)/gain in respect of pension schemes	C	(41)	(105)	(146)
		<u>77</u>	<u>63</u>	<u>140</u>

**A. Amortisation of Social Housing Grant**

The Board have adopted a policy under the accruals method whereby Social Housing Grant received is allocated in its entirety to the structure of the Housing Properties and released to the Income Statement over the useful life of the structure. This policy has resulted in an additional amortisation charge to Comprehensive Income for the year ended 31 March 2015 of £14,560.

**B. Holiday pay accrual**

An adjustment of £3,149 has been made to increase the accrual for holiday pay outstanding at 31 March 2015 to £96,394.

**C. SHPS Pension Deficit**

Under SORP 2010 the pension deficit arising within this multi-employer pension scheme was not recognised within the balance sheet on the basis that the entity's share of pension assets and liabilities could not separately be identified. This is now recognised under SORP 2014, following actuarial valuation. The effect on the income and expenditure account in the year to 31 March 2015 is £81,000 credit.