

Foundation

Report and Consolidated Financial Statements

Year ended: 31 March 2017

**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	Claire Vilarrubi
Other Trustees:	<p>David Powell: Chair of Resources Committee</p> <p>Philip Turnpenny: Chair of Operations & Development Committee</p> <p>Nigel Lockett: Vice-Chair of the Board</p> <p>Julia Bates: Vice-Chair of Resources Committee</p> <p>Peter Johnston</p> <p>Richard Parry</p> <p>Mark Simpson: Vice-Chair of Operations & Development Committee</p> <p>Patricia Taylor</p> <p>Rebekah Smith</p>

Customer Board Trustees

Scott Lyons
Carl Page (Resigned 26 May 2016)

Executive Officers

Operations Director	Lisa Firth (Resigned 29 April 2016)
Operations Director Development and Communications Director	Viki Whelan (Appointed 1 May 2016)
Chief Executive	Paul Hardman
Finance and IT Director	Maggie Jones 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
Central Square
5th Floor
29 Wellington Street
Leeds
LS1 4DL

Internal Auditors

Yorkshire Audit Consortium
Woodkirk House
Dewsbury District Hospital
Halifax Road
Dewsbury
WF13 4HS

Solicitors

Whitaker Firth
1 Manor Row
Bradford
BD1 4PB

Bankers

Santander
Bridle Road
Bootle
Merseyside
L30 4GB

Virgin Money
Jubilee House
Gosforth
Newcastle Upon Tyne
NE3 4PL

Group Report of the Board of Trustees including Group Strategic Report

The Board presents its report and the audited financial statements of Foundation (“the Group”) for the year ended 31 March 2017.

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 Group 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.

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.

Business review

Details of the Group’s performance for the year and future plans are set out in the Strategic report included within the Trustees’ Report.

Housing property assets

Details of changes to the Group’s housing property assets are shown in Note 11 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 and designated reserves stood at (£625k) (£991k) at 31 March 2016). The inclusion on the statement of financial position 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. Were the longer term element of the liability to be stripped out then the reserves targeted position would be met.

Donations and Sponsorship

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

Group Report of the Board of Trustees including Group Strategic Report (Continued)

Payment of creditors

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

Financial instruments

The Group's approach to risk management is set out on page 14 of this report.

Employees

In March 2015 the charity was 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.

Mental Health First Aid training has been delivered this year alongside suicide prevention to increase the skills and confidence of staff in supporting customers and colleagues with mental health concerns. A task and finish group of employees from across the business has been established to take forward key recommendations from the recent Investors in People report. The group will report directly to the Trustee Board on progress and recommendations for further action.

By the end of the year all managers will be ILM level 3 qualified with five senior managers completing ILM Level 5.

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."Name Blind" recruitment has been adopted this year to reduce unconscious bias at the shortlisting stage.

The Group 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 Group 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 3. Foundation's Board (at 31 March 2017) comprises 11 Trustees with a range of relevant skills and experience, including one Customer Trustee. Individually and collectively they exercise independent and objective judgement. All non-customer trustees serve on one sub-committee, either *Resources* or *Operations and Development*.

Group Report of the Board of Trustees including Group Strategic Report (Continued)

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 2016 to explore longer term possibilities for Foundation in accordance with the strategic plan.

Board appraisals are carried out bi-annually by the Chair and Vice Chair. An up to date skills register is maintained and used to support trustee recruitment.

The Board has overall responsibility for the governance and strategic direction of the group and Foundation's constitution empowers the Board to take such steps as are necessary to achieve the Group'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 the 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.

Recruitment, Appointment and Training of Trustees

New 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 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 Group during the year. Declarations of interest are requested at the start of all Board and Committee meetings.

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 Group. 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 Group'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

Group Report of the Board of Trustees including Group Strategic Report (Continued)

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 Group.

Group Strategic report

Achievements and Performance

During 2016/17 Foundation worked with 2,776 individual customers to assist them in achieving their goals for a better life.

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

- 681 customers gained new settled accommodation.
- 666 customers maximised their income.
- 401 customers managed their debts better.
- 87 customers secured paid work.
- 168 customers took up education and training.
- 569 customers managed their mental health better.
- 257 customers were supported to improve the management of their substance misuse.
- 335 customers complied fully with their statutory court orders.
- 524 customers were helped to stay safe.
- 402 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.
- 20% 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.
- 82% of our customers left the service with regular access to the Internet.
- 45% of our customers left the service registered to vote.
- 28% of our customers left the service using a local library.
- 19% of our customers left the service in paid work.
- 6% of our customers who left the service were participating in accredited training or education.

Additional outcomes scores at exit:

- 37% of our customers who left the service had undertaken some type of informal learning within the last six months.
- 9% of our customers who left the service had used emergency medical services in the last six months (a reduction from 25% on entry to our services).

Group Report of the Board of Trustees including Group Strategic Report (Continued)

- 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:

- 87% of our customers had a planned move on from our support and accommodation.

Foundation Legal Service

The Foundation Legal Service has been operational since July 2016 delivering services in Bradford, Calderdale, Hull, Bridlington, York and North Yorkshire. The service operates under contract from the Legal Aid Agency and concentrates on housing and homelessness, supporting clients threatened with eviction, living in unfit properties or in dispute with their landlords about repairs. Key achievements for the service this year include:

- Opened 76 New Matter Start (NMS) cases for clients (Novated with 20 NMS from Keyhouse)
- Closed 75 NMS cases for clients
- Opened 25 Certificated cases
- Closed 11 Certificated cases
- Attended 193 court sessions across all courts – Bradford Skipton, Harrogate, York, Bridlington and Scarborough
- Dealt with 567 Acts of Assistance in Court
- Prevented homelessness in 329 of the cases
- Ran two internal and two external training sessions, two Housing Law, one for Leeds Beckett University and one for WYFI West Yorkshire
- Dealt with 61 internal enquiries from Foundation teams

Foundation Performance against targets for 2016/17

A Corporate Action Plan for the year was developed to achieve the relevant objectives within the Strategic Plan for 2016/17 with targets for achievement under each Goal:

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

Group Report of the Board of Trustees including Group Strategic Report (Continued)

The external environment within which Foundation operates has again been very difficult with continuing cuts to public sector funding and a rise in the numbers of people experiencing homelessness, debt, extreme poverty and mental health issues. In addition, the continued drain of increasing pension deficit contributions, combined with rent and contract reductions have put a great strain on our operating model. It has been a difficult year for Foundation. In spite of this the organisation has delivered excellent outcomes for customers and achieved a number of important goals;

- Further improvement in performance on rents and voids and greater willingness to pilot new ways of working and involve customers far more in our day to day activities.
- The development of a Co-production toolkit to support teams putting co-production into practice together with their customers.
- Winning a major new service in Barnsley in partnership with West Yorkshire CRC and Touchstone
- Commencing a National Lottery funded project in North Yorkshire with young people
- Extending training and qualifications to many more managers and front line staff
- We have tripled the number of volunteers and the number of hours they contribute. Many customers have used volunteering opportunities to help them on their paths to independence and work as well as offering invaluable peer to peer support to other customers.
- Implemented a new streamlined management structure to cut costs and improve support to front line staff.

Unfortunately, we have also faced contract reductions to several services causing insecurity and additional pressures on staff. The changes to terms and conditions of employment required to reduce the overall staffing budget have led to major industrial action. Services to customers have been maintained throughout but relationships have suffered and re-building morale will be a major focus of the year ahead.

Performance against our major targets is set out below:

Empowerment

- i. **Co-production Activity** has been extended across the organisation with all teams engaging customers in decision making and a steady rise in supporting more customer led initiatives. World Café events to explore customer views on how best to develop co-production are planned for the Autumn of 2017 and many more customers are actively volunteering in a range of roles across the organisation. We achieved our target of 10% of customers being involved in co-production activity and remain committed to expanding customer involvement at all levels of the organisation, both to encourage their journeys to independence and to ensure our services are the best they can be.
- ii. **Volunteering** A total of 103 volunteers have contributed 8,128 hours of their time through the course of the year, which is a fourfold increase on 2015/16. All areas, except North Yorkshire, where we had an extensive re-tender exercise in 2015/16 exceeded their volunteer targets and a number of volunteers contributed to central services, undertaking projects to improve Communications, IT services, Finance and HR. A volunteer forum has been established and we aim to increase the number of customer volunteers in the year ahead. This year saw success in the appointment of our first volunteer co-ordinator post working across North Yorkshire to recruit and support both customer and community volunteers.

Inclusion

- i. **Investors in Diversity:** Although we were not successful in achieving re-accreditation. Foundation was complimented on its policies and overall approach to diversity. However, attitudes and the practical application of policies in the field were found to be lacking. A working group has been established to take forward recommendations from the report and a range of actions including further training and awareness raising have been put in place with a view to improve understanding about the practical application of equality in relationships with customers, staff and the wider community. All offices have been audited for Disability Discrimination Act (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.

Group Report of the Board of Trustees including Group Strategic Report (Continued)

- ii. **Apprenticeships:** Foundation is committed to increasing the number of apprentices, particularly from those who come to us with lived experience of the issues our customers face. With the introduction of the Apprenticeship Levy in April 2017 we now pay £15,000 annually into a funding pot to pay for apprenticeship training for both new and existing colleagues. Our two current apprentices, who work in our Scarborough and Wakefield teams, are working towards Level 2 qualifications in Business Administration and Customer Care, plus a Functional Skills qualification which includes literacy, numeracy and ITC. Apprentices can also take part in our organisational training to increase their skills and network with other colleagues. Our Scarborough apprentice took part in Challenging Behaviour training to give her the skills to support customers who come into the office in crisis. The roles of our apprentices are varied and include administration; group work; reception cover and mentoring customers. We plan to use Apprenticeship levy to fund training for current staff and to recruit at least two more apprentices via our recruitment strategy and development bids. Apprenticeships will continue to be used as an opportunity to offer a range of people, with different experience, a foothold into support work.
- iii. **Membership scheme:** After consultation with customers it was decided that work on a membership scheme should wait until we have advanced our co-production work and have more customers engaged and able to take a view on what benefits a membership scheme could bring. In the meantime there are plans to extend customer representation across all areas though some form of customer council, the exact nature of which will be determined by customers in the year ahead.

Innovation

- i. **Social Enterprise:** This year Foundation has established a social lettings agency, Foundation Living, to offer a new service to a wide range of low income tenants using the housing support expertise we have built up over decades of supporting some of the most disadvantaged groups in the community. Foundation Living is building a portfolio across West Yorkshire in partnership with private sector landlords who have property to let to families and single people. We are maintaining property quality through ensuring all the properties we let meet decent homes standards. Although it is early days our ambition is for this enterprise to create much needed earned income to contribute to our charitable activities.
- ii. **Diversification:** We achieved our ambitions to have one service funded through non local government sources. Foundation's legal service began in July 2016. Funded via contract income from the Legal Aid Agency the service provides advice and representation on a wide range of housing issues including repairs and eviction. The service operates in Bradford, Hull, York, North Yorkshire, Calderdale and Bridlington having strong partnerships in place with Bradford and Hull CABs.
- iii. **Employment support:** We have been successful in winning ESF funds to establish an employment support initiative in North Yorkshire. The **Action for Inclusion** project has two staff dedicated to helping our customers, and other individuals who struggle to access the labour market, into training and employment. Work began in April 2017.

Professionalism

- i. **Investors in People:** Foundation achieved Investors in People Bronze in 2016 and a task and finish group have been established from colleagues across the organisation to take forward the recommendations for action highlighted in the IIP report. The group reports directly to Trustees and will regularly engage the wider workforce through videos, visits and items on the intranet. The group has selected the following three priorities for their work:
 - Leading and inspiring,
 - Living the organisation's values and behaviours,
 - Empowering and involving people
- ii. **Property Management:** There has been a steady improvement in the levels of collectable rent achieved (i.e. rent achievable removing voids). Eleven of our sixteen teams achieved a 97%

Group Report of the Board of Trustees including Group Strategic Report (Continued)

collection rate and four others achieved over 90%. Voids remained static at 6.6%. Former tenant debt has improved through the year with nine teams achieving the target of below 5%. Current tenant arrears have remained static which is a reflection of the increasingly difficult welfare environment our customers are navigating. Strict attendance times for Job Centre interviews and the increasing use of severe financial sanctions hits those with chaotic lives hardest and Foundation's customer groups now have a far higher proportion of the most vulnerable, after the tightening of eligibility criteria over the past five years by commissioners.

- iii. **Training:** All front line staff have been trained in motivational interviewing and we have rolled out our Mental Health First Aid course across the organisation and are now beginning to sell this training to external partners. Fifteen project managers and team leaders who did not have a management qualification are now enrolled on Level 3 ILM training with six senior managers undertaking the Level 5 ILM qualification. In addition eight staff are undertaking Level 2/3 courses on business administration and customer service.
- iv. **Communications:** Trustees agreed a new Communication Strategy in December 2016 with an emphasis in the early stages on improving and consolidating internal communication. A clear Communications calendar has been developed and consultation with staff undertaken to establish both the key areas of information they need and how best to provide this. News from staff teams and customer achievements are now regularly updated on the intranet which has been refreshed with new team pages. Volunteers working alongside the Communications Manager have helped to establish a growing presence for Foundation on Facebook and Twitter.
- v. **Environmental Impact:** Foundation's base line figure for our carbon footprint at the start of 2016/17 was 1.757 metric tonnes per FTE. Through the course of this year we have refined and improved our recording mechanisms updating readings quarterly rather than annually. At the end of the financial year we had achieved our target of a 5% reduction and the base line figure for the start of 2017/18 is now 1.67 metric tonnes per FTE.

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 2016/17 are as follows:

- Standard of Accommodation: -
 - 90.4% Standard of Accommodation OK or better. (2017 Customer Survey)
- Repairs and maintenance standards:
 - 87% Repairs and Maintenance Standards OK or better (2017 Customer Survey)
 - 1353 Repairs Reported
 - 75% Repairs completed within agreed timescales
- Complaints
 - 84 Complaints received – 100% acknowledged within 24 hours and 82% received full response within 15 days
 - 104 ASB reports received – 100% acknowledged within 24 hours and 82% received full response within 15 days
- Text survey results
 - 3.65 out of 5 in response to rating of property condition at move in
 - 4.3 out of 5 in response to rating of satisfaction with service received (when customer leaves)
- Rent collected
 - 90% rent collected (96.1% based on realisable rent)
- Void loss
 - 6.2%
- Bad debts
 - 292 Debts written off – total value of £202.5k

Group Report of the Board of Trustees including Group Strategic Report (Continued)

- Central Services costs were 10.5% of organisational income which included upfront investment in VOIP technology for the business as a whole
- Travel costs target of 10% saving exceeded at 12.8%
- Utility bills reduced to 91% of target.

In addition to quantifiable financial savings the business has been targeting other areas in which we could improve VFM. Towards the end of the financial year we invested in VOIP technology which is being rolled out across the organisation in 2017 which not only will deliver financial savings against current landline costs but will enhance our ways of working providing added value to the investment made.

Financial Performance and Position at the End of the Year

At the end of the previous year the adoption of FRS 102 and the addition of the tier four pension contributions to the Social Housing Pension Scheme (SHPS) added a £2.8 million liability to the statement of financial position and a hit to total comprehensive income of £769k. The impact of this was that the organisation began the year with a negative statement of financial position in the order of £991k which has created challenges with some potential funders. The re-rendering of a number of contracts combined with aggressive cost control across the business resulted in a surplus of £366k for the year and a significant reduction in the statement of financial position deficit to (£625k). The interim revaluation by SHPS imposed a further £125k costs being £53k interest charges and £72k actuarial loss. The liability in the balance sheet has reduced by £220k being the net of the contributions made during the year of £345k and the additional charge of £125k added at the year end.

The contracts run by the business are all being well managed financially but the reduction in turnover of £962k caused by a combination of contract cuts and losses creates additional pressure on being able to generate ongoing cash to meet the pension contribution demands. Cashflow remains a priority target for the organisation and the net inflow of £101k during the year provides additional comfort that we can meet our liabilities.

Future Plans

Ambitions for 2017/18

As we move into the third 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

- a) Customers to be involved in recruitment and induction across all teams
- b) A Customer Council to be established, the exact form this will take to be determined by customers
- c) Co-production service models to be developed by staff and customers together
- d) Systems to embed and record asset based support to be established.

Inclusion

- a) Progress the recruitment and training of apprentices across the business
- b) Achieve a further equality and diversity quality mark.

Innovation

- a) Expand and embed our social lettings agency
- b) Pilot new shared housing options for young people
- c) Develop new services and funding streams in the North East and South Yorkshire.

Professionalism

- a) Introduce a coaching model for all managers
- b) Achieve revised targets for rent collection, void and bad debt reduction
- c) Achieve new targets on repairs completion rates
- d) Pilot new models of community based support for customers.

Group Report of the Board of Trustees including Group Strategic Report (Continued)

Moving forward Foundation will continue to prioritise diversification of income with a greater emphasis on trading activity to complement contract income. We have ambitions to expand our Legal Service across new geographies and work in closer delivery partnerships with a wider range of organisations to learn from their experience of social enterprise and community business.

Principal Risks and uncertainties

The Board assume responsibility for on-going review of the risks facing the Group. 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.
- The forthcoming triennial revaluation of the SHPS pension deficit and the likelihood that this will increase Foundation's contributions.
- 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 15, 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 group'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.

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 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 continue to be implemented
- Uncertainty due to the impact of the General Election and Brexit negotiations
- Services are closed altogether as local authorities consolidate reduced services
- Funding restrictions lead to reductions in level and quality of services
- Changes to the Welfare Benefits structure, in particular the roll out of Universal Credit 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
- 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

Group Report of the Board of Trustees including Group Strategic Report (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
- 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

Foundation is committed to moving to co-production with customers wherever possible and training materials have been developed for both staff and customers to support this process. Customers bring skills talents and real assets to the organisation which can be employed for the benefit of their own journey to independence and that of other customers and to improve the quality of services provided across the organisation.

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 controls 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 Group are considered to be appropriate and we confirm an ongoing process for identifying, evaluating and managing significant risks to the achievement of the Group's strategic objectives has been maintained.

Group Report of the Board of Trustees including Group Strategic Report (Continued)

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

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 Group is concerned not only with its direct impact on the environment, but also any indirect effects caused by the Group's activities affecting its neighbours and the local community.

Foundation's environmental action plan articulates the Group'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 who report monthly on significant variances. 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 Group. Tenants are on normal commercial terms and they are not able to use their Trustee position to their advantage. The Group's subsidiary, Foundation Stone Enterprises Limited, was established in February 2014 and began trading in June 2016. Consolidated statements have therefore been prepared. The organisation has also joined the Health and Well Being Limited Liability Partnership but the only transaction so far has been the joining fee.

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 group and the company and of the surplus or deficit of the group and 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 group will continue in business

Group Report of the Board of Trustees including Group Strategic Report (Continued)

The Board is responsible for keeping proper accounting records that are sufficient to show and explain the Group's and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and 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 Direction for Private Registered Providers of Social Housing. It is also responsible for taking reasonable steps to safeguard the assets of the Group and 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 Group'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 2016/17. Whilst the operative environment will remain challenging, the Board is confident that the reputation and competitiveness of the Group can contribute to modest growth in the next two years. New work has already been gained in 2017/18 including a major new service in Barnsley, delivered in partnership with the West Yorkshire Community Rehabilitation Company and Touchstone, a mental health charity.

Accounting Policies

The Group's principal accounting policies are set out on pages 26 to 30 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 Group is supported by the current cash in hand of £1,223k (2016: £1,122k).

Annual general meeting

The annual general meeting will be held on 13 September 2017.

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 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 has indicated their willingness to continue in office.

This report including Strategic report was approved by the Board on 13 September 2017 and signed on its behalf by:

Chair: Claire Vilarrubi

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF FOUNDATION

Opinion on financial statements

We have audited the parent and group financial statements Foundation for the year ended 31 March 2017 (the "financial statements") on pages 20 to 45. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 March 2017 and of the group'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.

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 other matter prescribed by the Companies Act 2006

In our opinion the information given 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 and, based on the work undertaken in the course of our audit, the Strategic report and the Trustees' Annual Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and parent company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report or the Trustees' Annual Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

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

Respective responsibilities of Trustees and auditor

As explained more fully in the Trustees' Responsibilities Statement set out on pages 16 to 17, 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.

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.

ANDREW ALLCHIN FCA (Senior Statutory Auditor)
For and on behalf of RSM UK AUDIT LLP, Statutory Auditor
Chartered Accountants
Central Square
5th Floor
29 Wellington Street
Leeds
LS1 4DL

2017

**Consolidated Statement of Comprehensive Income
for the year ended 31 March 2017**

	Note	2017 £'000	2016 £'000
Turnover	3	11,382	12,344
Operating costs	3	(10,896)	(12,567)
Operating Surplus/(Deficit)		<u>486</u>	<u>(223)</u>
Interest receivable and other income	6	5	8
Interest payable and similar charges	7	(53)	(41)
Surplus/(Deficit) on ordinary activities before taxation		<u>438</u>	<u>(256)</u>
Tax on surplus/(deficit) on ordinary activities		-	-
Surplus/(Deficit) for the financial year		<u>438</u>	<u>(256)</u>
Actuarial loss in respect of pension schemes	21	(72)	(769)
Total Comprehensive Income for the year		<u><u>366</u></u>	<u><u>(1,025)</u></u>

The notes on pages 26 to 45 form part of these financial statements.

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

The financial statements on pages 20 to 45 were approved by the Board and authorised for issue on and are signed on its behalf by:

Chair: Claire Vilarrubi

Chair of Resources: David Powell

**Consolidated Statement of Financial Position
as at 31 March 2017**

	Note	2017 £'000	2016 £'000
Tangible fixed assets			
Intangible Assets	10	10	13
Housing properties	11	627	534
Other tangible fixed assets	12	<u>541</u>	<u>580</u>
Total fixed assets		1,178	1,127
Current assets			
Debtors	14	909	928
Cash and cash equivalents		<u>1,223</u>	<u>1,122</u>
		2,132	2,050
Creditors: Amounts falling due within one year	15	<u>(1,355)</u>	<u>(1,368)</u>
Net current assets		<u>777</u>	<u>682</u>
Total assets less current liabilities		<u>1,955</u>	<u>1,809</u>
Provisions for liabilities			
Pension provision	21	<u>(2,580)</u>	<u>(2,800)</u>
Net Liabilities		<u>(625)</u>	<u>(991)</u>
Capital and reserves			
Reserves	16	(625)	(991)
		<u>(625)</u>	<u>(991)</u>

The financial statements on pages 20 to 45 were approved by the Board and authorised for issue on and are signed on its behalf by:

Chair: Claire Vilarrubi

Chair of Resources: David Powell

Company Secretary: Maggie Jones

**Company Statement of Financial Position
as at 31 March 2017**

	Note	2017 £'000	2016 £'000
Tangible fixed assets			
Intangible Assets	10	10	13
Housing properties	11	627	534
Other tangible fixed assets	12	<u>541</u>	<u>580</u>
Total fixed assets		1,178	1,127
Current assets			
Debtors	14	934	928
Cash and cash equivalents		<u>1,197</u>	<u>1,122</u>
		2,131	2,050
Creditors: Amounts falling due within one year	15	<u>(1,313)</u>	<u>(1,368)</u>
Net current assets		<u>818</u>	<u>682</u>
Total assets less current liabilities		<u>1,996</u>	<u>1,809</u>
Provisions for liabilities			
Pension provision	21	(2,580)	(2,800)
		<u>(2,580)</u>	<u>(2,800)</u>
Net Liabilities		<u>(584)</u>	<u>(991)</u>
Capital and reserves			
Reserves	16	(584)	(991)
		<u>(584)</u>	<u>(991)</u>

The financial statements on pages 20 to 45 were approved by the Board and authorised for issue on and are signed on its behalf by:

Chair: Claire Vilarrubi

Chair of Resources: David Powell

Company Secretary: Maggie Jones

Consolidated Statement of Changes in Reserves for the year ended 31 March 2017

	General reserve £'000	Total £'000
Balance at 1 April 2015	34	34
Deficit for the year	(256)	(256)
Actuarial loss	(769)	(769)
	<hr/>	<hr/>
Balance as at 31 March 2016	(991)	(991)
	<hr/> <hr/>	<hr/> <hr/>
Surplus for the year	438	438
Actuarial loss	(72)	(72)
	<hr/>	<hr/>
Balance as at 31 March 2017	(625)	(625)
	<hr/> <hr/>	<hr/> <hr/>

Company Statement of Changes in Reserves for the year ended 31 March 2017

	General reserve £'000	Total £'000
Balance at 1 April 2015	34	34
Deficit for the year	(256)	(256)
Actuarial loss	(769)	(769)
	<hr/>	<hr/>
Balance as at 31 March 2016	(991)	(991)
	<hr/> <hr/>	<hr/> <hr/>
Surplus for the year	479	479
Actuarial loss	(72)	(72)
	<hr/>	<hr/>
Balance at 31 March 2017	(584)	(584)
	<hr/> <hr/>	<hr/> <hr/>

**Consolidated Statement of Cash Flows
for the year ended 31 March 2017**

	Note	2017 £'000	2016 £'000
NET CASH FROM/(USED IN) OPERATING ACTIVITIES	22	232	(533)
<hr/>			
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of tangible fixed assets		(130)	(49)
Purchase of intangible assets		(6)	-
<hr/>			
NET CASH USED IN INVESTING ACTIVITIES		(136)	(49)
<hr/>			
CASH FLOW FROM FINANCING ACTIVITIES			
Interest received		5	8
<hr/>			
NET CASH FROM FINANCING ACTIVITIES		5	8
<hr/>			
Increase/(decrease) in cash and cash equivalents		101	(574)
Brought forward cash and cash equivalents		1,122	1,696
<hr/>			
Carried forward cash and cash equivalents		1,223	1,122
<hr/>			

**Company Statement of Cash Flows
for the year ended 31 March 2017**

	Note	2017 £'000	2016 £'000
NET CASH FROM/(USED IN) OPERATING ACTIVITIES	22	206	(533)
<hr/>			
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of tangible fixed assets		(130)	(49)
Purchase of intangible assets		(6)	-
<hr/>			
NET CASH USED IN INVESTING ACTIVITIES		(136)	(49)
<hr/>			
CASH FLOW FROM FINANCING ACTIVITIES			
Interest received		5	8
<hr/>			
NET CASH FROM FINANCING ACTIVITIES		5	8
<hr/>			
Increase/(decrease) in cash and cash equivalents		75	(574)
Brought forward cash and cash equivalents		1,122	1,696
<hr/>			
Carried forward cash and cash equivalents		1,197	1,122
<hr/>			

Notes to the Financial Statements for the year ended 31 March 2017

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 5.

2. Accounting Policies

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.

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 2016/17. A number of new contracts also commenced during the year. Whilst the operative environment will remain challenging, the Board is confident that the reputation and competitiveness of the Group can contribute to modest growth in the next two years. New work has already been gained in 2017/18 with the commencement of a major contract in Barnsley working with other organisations as part of a major contract won by Interserve which has brought new challenges and opportunities to the organisation. The budget for 2017/18 is for a modest operating surplus prior to the payment of the deficit pension scheme funding and the management team are working to improve performance against budget to generate all the cash required rather than depleting cash reserves. The management accounts to date demonstrate that savings are being made and performance is significantly ahead of budget. Tennant Hall has recently been put on the market and once sold will enable Central Services and the Leeds teams to move to premises much more cost effective to run and more appropriate to the needs of the business today thus generating further savings.

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 the time of receipt.

All other turnover is recognised as the service is provided.

Service Charges

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

Notes to the Financial Statements for the year ended 31 March 2017 (Continued)

2. Accounting Policies (continued)

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.

The company's trading subsidiary is liable to corporation tax on its taxable profits.

Value Added Tax

Although Foundation is partially exempt from VAT, the amount of taxable income is so small relative to overall turnover, VAT is only recovered at 1% of VAT incurred and therefore VAT effectively represents a 20% additional cost to the Group where charged.

Interest Payable

Interest payable is charged to the Statement of 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 statement of financial position. 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 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.

Grants received from non-government sources are recognised using the performance model. Grants are recognised as income when the associated performance conditions are met.

Contract Income

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

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 31 March 2013). All contributions are related to the scheme deficit funding requirements and have been recognised on a net present value basis on the statement of financial position in accordance with FRS102 and charged to income and expenditure.

Notes to the Financial Statements for the year ended 31 March 2017 (Continued)

2. Accounting Policies (continued)

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 2017 the Group owned nine housing properties which are carried on the statement of financial position 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 of 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.

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.

Investments

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

Notes to the Financial Statements for the year ended 31 March 2017 (Continued)

2. Accounting Policies (continued)

Management of liquid resources

Liquid resources are readily disposable current asset investments and cash at bank and in hand. In the event that the Group 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.

Intangible Fixed Assets

Intangible assets purchased other than in a business combinations are recognised when future economic benefits are probable and the cost or value of the asset can be measured reliably.

Intangible assets are initially recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Intangible assets are amortised to profit or loss on a straight-line basis over their useful lives, as follows:-

Purchased computer software 3 years

Amortisation is revised prospectively for any significant change in useful life or residual value.

On disposal, the difference between the net disposal proceeds and the carrying amount of the intangible asset is recognised in profit or loss.

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 Group 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 Group 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.

Notes to the Financial Statements for the year ended 31 March 2017 (Continued)**2. Accounting Policies (continued)****Critical accounting judgements and estimation uncertainty (continued)****(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 11 and 12 for the carrying amount of tangible fixed assets and note 2 for the useful economic lives of each class of assets.

Notes to the Financial Statements for the year ended 31 March 2017 (Continued)
3. Turnover, operating costs and operating Surplus/(Deficit)**Continuing activities**

	2017 Turnover £'000	2017 Operating costs £'000	Operating Surplus £'000	2016 Turnover £'000	2016 Operating costs £'000	Operating Deficit £'000
Social housing activities						
Income and expenditure from lettings	4,319	(3,885)	434	4,526	(4,539)	(13)
Other social housing activities						
Supporting people contract income	6,341	(6,197)	144	7,162	(7,384)	(222)
Other social housing income and expenditure	52	(51)	1	115	(113)	2
Non-social housing activities	670	(763)	(93)	541	(531)	10
Total	11,382	(10,896)	486	12,344	(12,567)	(223)

Notes to the Financial Statements for the year ended 31 March 2017 (Continued)
**3. Turnover, cost of sales, operating costs and operating surplus/(deficit)
(continued)**
Particulars of income and expenditure from social housing lettings

	2017	2016
	Supported Housing £'000	Supported Housing £'000
Turnover from social housing lettings		
Rent and service charges receivable	4,319	4,526
Net rental income	4,319	4,526
Other revenue grants	-	-
Turnover from social housing lettings	4,319	4,526
Expenditure on social housing lettings		
Rent	(2,422)	(2,581)
Costs relating to tenants	(29)	(27)
Light and heat	(60)	(94)
Routine maintenance	(194)	(206)
Planned maintenance	(605)	(731)
Staff costs	(436)	(800)
Other Costs	(150)	(128)
Bad Debts Provision	11	28
Operating costs on social housing Lettings	(3,885)	(4,539)
Operating Surplus/(Deficit) on social housing lettings	434	(13)

4. Accommodation in management and development

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

	2017	2016
	Units	Units
Supported housing-owned	9	8
Supported housing managed	543	615
Total units	552	623

Notes to the Financial Statements for the year ended 31 March 2017 (Continued)
5. Operating surplus/(deficit)

This is arrived at after charging/(crediting)

	2017	2016
	£'000	£'000
Release of capital grant	(7)	(7)
Depreciation of tangible fixed assets	77	102
Amortisation of Intangible fixed assets	8	-
Operating lease rentals		
- land and buildings	152	202
- office equipment	25	26
External Auditor's remuneration (including VAT)		
- external audit services	20	17
- accountancy and taxation services	2	4
	<hr/>	<hr/>

6. Interest receivable and other income

	2017	2016
	£'000	£'000
Net finance income	-	-
Bank interest	5	8
	<hr/>	<hr/>
	5	8
	<hr/>	<hr/>

7. Interest payable and similar charges

	2017	2016
	£'000	£'000
Pension scheme – net finance charge	53	41
	<hr/>	<hr/>
	53	41
	<hr/>	<hr/>

8. Employees

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

	2017	2016
	Average	Average
	Number	Number
Charitable work	254	282
Support services	28	33
	<hr/>	<hr/>
	282	315
	<hr/>	<hr/>

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

	2017	2016
	Average	Average
	FTEs	FTEs
Charitable work	187	231
Support services	25	30
	<hr/>	<hr/>
	212	261
	<hr/>	<hr/>

Notes to the Financial Statements for the year ended 31 March 2017 (Continued)
8. Employees (continued)

Employee costs:

	2017	2016
	£'000	£'000
Wages and salaries	5,504	6,847
Social security costs	436	521
Other pension costs	152	181
	6,092	7,549

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

	2017	2016
	£'000	£'000
Aggregate emoluments paid to all Executive Officers, excluding pension contributions	236	258
Aggregate amount of all Executive Officers' pensions	11	6
Aggregate amount of all Executive Officers' Employer's NI Contribution	28	31
Emoluments of the Chief Executive, who was also the highest paid employee, excluding pension contributions	70	77

Emoluments for the Officers fall into the following bands:

	2017	2016
	Number	Number
More than £60k but not more than £70k	1	2
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:

	2017	2016
	Number	Number
Number of Trustees who were paid expenses	5	5

Trustee expenses of £1,290 (2016: £1,337) comprise travel and sundry expenses attendance allowances.

Notes to the Financial Statements for the year ended 31 March 2017 (Continued)
10. Intangible fixed assets

Group and Company	Purchased computer software £'000
Cost	
At 1 April 2016	292
Additions	6
Transfer to Computer and Accessories	(12)
Disposal	(56)
	<hr/>
At 31 March 2017	230
	<hr/> <hr/>
Depreciation	
At 1 April 2016	279
Charge for year	9
Transfer to Computer and Accessories	(12)
Disposal	(56)
	<hr/>
At 31 March 2017	220
	<hr/> <hr/>
Net book value	
At 31 March 2017	<hr/> 10
At 31 March 2016	<hr/> 13
	<hr/> <hr/>

11. Tangible fixed assets – housing properties

Group and Company	Social housing properties held for letting £'000
Cost	
At 1 April 2016	756
Additions	113
Disposal	(2)
	867
At 31 March 2017	867
Depreciation	
At 1 April 2016	222
Charge for year	20
Disposal	(2)
	240
At 31 March 2017	240
Net book value	
At 31 March 2017	627
At 31 March 2016	534

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 2017 (Continued)
12. Other tangible fixed assets – Other

Group and the Company	Freehold Property £'000	Office/Leasehold Fixtures £'000	Furniture Equipment £'000	Computer & Accessories £'000	Total £'000
Cost					
At 1 April 2016	827	443	43	-	1,313
Additions	-	-	-	17	17
Transfer from IT Intangibles	-	-	-	12	12
Disposals	-	(141)	(20)	-	(161)
At 31 March 2017	827	302	23	29	1,181
Depreciation					
At 1 April 2016	279	413	41	-	733
Depreciation charge for the year	35	14	1	6	56
Transfer from IT Intangibles	-	-	-	12	12
Disposals	-	(141)	(20)	-	(161)
At 31 March 2017	314	286	22	18	640
Net book value					
At 31 March 2017	513	16	1	11	541
At 31 March 2016	548	30	2	-	580

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 2017, this has not been executed. The contingent liability is set out in note 20. The grant has been released in April 2017.

Notes to the Financial Statements for the year ended 31 March 2017 (Continued)

13. Investments

Company	Investment in subsidiary £
1 April 2016 and 31 March 2017	1

The investment represents the 100% holding of the issued share capital of Foundation Stone Enterprises Limited which commenced trading in the year, registered office Tennant Hall, Blenheim Grove, Leeds, LS2 9ET. The company currently delivers housing related legal services and has recently established a social lettings agency.

14. Debtors

	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Rent and service charges receivable	561	510	561	510
Less: provision for bad and doubtful debts	(220)	(231)	(220)	(231)
	341	279	341	279
Amounts due from group undertakings	-	-	99	-
Other debtors	308	395	294	395
Prepayments and accrued income	260	254	200	254
	909	928	934	928

15. Creditors: amounts falling due within one year

	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Trade creditors	212	133	211	133
Other taxes and social security	98	118	98	118
Other creditors	135	141	106	141
Accruals	288	440	276	440
Deferred income	482	389	482	389
Deferred government grant (note 18)	140	147	140	147
	1,355	1,368	1,313	1,368

Deferred income includes £64,000 relating to a new project in North Yorkshire working with disadvantaged young people funded by the Big Lottery Reaching Communities Scheme.

Notes to the Financial Statements for the year ended 31 March 2017 (Continued)
16. Reserves

Group	Undesignated Reserve £'000	Designated Reserve £'000	General Reserve £'000
At 1 April 2016	(1,490)	499	(991)
Surplus for the year	438	-	438
Actuarial Loss	(72)	-	(72)
Transfers to general reserve	21	(21)	-
At 31 March 2017	(1,103)	478	(625)

Designated Reserves	1 April 2016 £'000	Income £'000	Expenditure £'000	Transfers £'000	31 March 2017 £'000
St Peter's Building Innovation and Project Development	349	-	(16)	-	333
Scarborough Property Fund	13	-	(3)	-	10
	137	-	(2)	-	135
Total designated reserves	499	-	(21)	-	478

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

The **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 was partially spent in 2016/17 with remainder of the project being completed in 2017/18.

The **Scarborough Property Fund** is a property comprising three flats which was donated to Foundation.

Notes to the Financial Statements for the year ended 31 March 2017 (Continued)

16. Reserves (continued)

Company	Undesignated Reserve £'000	Designated Reserve £'000	General Reserve £'000
At 1 April 2016	(1,490)	499	(991)
Surplus for the year	479	-	479
Actuarial Loss	(72)	-	(72)
Transfers to general reserve	21	(21)	-
At 31 March 2017	(1,062)	478	(584)

Designated Reserves	1 April 2016 £'000	Income £'000	Expenditure £'000	Transfers £'000	31 March 2017 £'000
St Peter's Building Innovation and Project Development	349	-	(16)	-	333
Scarborough Property Fund	13	-	(3)	-	10
	137	-	(2)	-	135
Total designated reserves	499	-	(21)	-	(478)

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

The **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 2017/18.

The **Scarborough Property Fund** is a property comprising three flats which was donated to Foundation.

17. Capital commitments

The Group had no capital commitments as at 31 March 2017 (31 March 2016: none).

18. Deferred government grant

	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Balance at 1 April	147	154	147	154
Received during the year	-	-	-	-
Released during the year	(7)	(7)	(7)	(7)
Balance at 31 March	140	147	140	147

Notes to the Financial Statements for the year ended 31 March 2017 (Continued)

19. Other commitments

At 31 March 2017 the Group had total future minimum payments under non-cancellable operating leases as follows:

	Land and Buildings		Other	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Expiry Date:				
Within one year	23	166	2	24
Between two and five years	63	77	26	51
	86	243	28	75

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 2017 amounted to £433,746 (2016: £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. The SRB charge expired at midnight on 31 March 2017.

Notes to the Financial Statements for the year ended 31 March 2017 (Continued)

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.

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

Tier 1		£40.6m per annum
From 1 April 2016 to 30 September 2020:	(payable monthly and increasing by 4.7% each year on 1 st April)	
Tier 2		£28.6m per annum
From 1 April 2016 to 30 September 2023:	(payable monthly and increasing by 4.7% each year on 1 st April)	
Tier 3		£32.7m per annum
From 1 April 2016 to 30 September 2026:	(payable monthly and increasing by 3.0% each year on 1 st April)	
Tier 4		£31.7m per annum
From 1 April 2016 to 30 September 2026:	(payable monthly and increasing by 3.0% each year on 1 st 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 2017 (Continued)

RECONCILIATION OF OPENING AND CLOSING PROVISIONS

	31 March 2017 £'000	31 March 2016 £'000	31 March 2015 £'000
Present value of provision	2,580	2,800	2,253
	Period Ending 31 March 2017 £'000	Period Ending 31 March 2016 £'000	Period Ending 31 March 2015 £'000
Provision at start of year	2,800	2,253	2,334
Unwinding of the discount factor (interest expense)	53	41	66
Deficit contribution paid	(345)	(262)	(252)
Remeasurements - impact of any change in assumptions	72	(17)	105
Remeasurements - amendments to the contribution schedule	-	786	-
Provision at end of year	2,580	2,800	2,253

INCOME AND EXPENDITURE IMPACT

	Period Ending 31 March 2017 £'000	Period Ending 31 March 2016 £'000	Period Ending 31 March 2015 £'000
Interest expense	53	41	66
Remeasurements – impact of any change in assumptions	72	(17)	105
Remeasurements – amendments to the contribution schedule	-	786	-
Contributions paid in respect of future service*	-	-	-
Costs recognised in income and expenditure account	125	810	171

*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 2016 % per annum	31 March 2015 % per annum
Rate of discount	1.33	2.06	1.92

Notes to the Financial Statements for the year ended 31 March 2017 (Continued)

21. Pension Obligations (continued)

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.

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 2017 £'000	31 March 2016 £'000	31 March 2015 £'000
Year 1	359	345	262
Year 2	373	359	274
Year 3	388	373	285
Year 4	333	388	297
Year 5	273	333	310
Year 6	283	273	252
Year 7	236	283	190
Year 8	185	236	197
Year 9	191	185	148
Year 10	98	191	94
Year 11	-	98	97
Year 12	-	-	50
Year 13	-	-	-
Total	2,719	3,064	2,456

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 statement of financial position liability.

Notes to the Financial Statements for the year ended 31 March 2017 (Continued)
22. Reconciliation of Surplus/(deficit) to net cash generated from/(used) in operating activities

	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Surplus/(deficit) for the year	438	(256)	479	(256)
Depreciation of tangible fixed assets	76	102	76	102
Amortisation of intangible assets	9	-	9	-
Interest receivable	(5)	(8)	(5)	(8)
Interest payable	53	41	53	41
Pension Costs	(345)	(262)	(345)	(262)
Release of capital grant	(7)	(7)	(7)	(7)
	219	(390)	260	(390)
Working capital movements				
Decrease/(increase) in debtors	19	128	(6)	128
Decrease in creditors	(6)	(271)	(48)	(271)
Net cash generated from/(used) in operations	232	(533)	206	(533)

23. Related parties

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