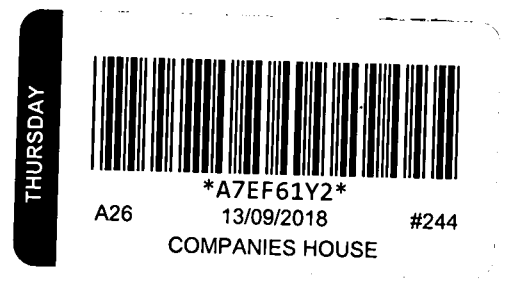


Foundation

Report and Consolidated Financial Statements

Year ended: 31 March 2018



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:

David Powell: Chair of Resources Committee
Philip Turnpenny: Chair of Operations & Development Committee (and appointed Vice-Chair of the Board 13/9/17)
Nigel Lockett: Vice-Chair of the Board (Resigned 13/9/2017)
Julia Bates: Vice-Chair of Resources Committee
Peter Johnston
Richard Parry
Mark Simpson: Vice-Chair of Operations & Development Committee
Patricia Taylor
Rebekah Smith (Resigned 13/3/2018)
Christopher Welch (Appointed 16/10/2017)

Customer Board Trustees

Scott Lyons (Resigned 13/9/2017)

Executive Officers

Operations Director
Development and Enterprise
Director
Chief Executive
Finance and IT Director

Viki Whelan

Paul Hardman
Maggie Jones
Caroline Watson

**Company Secretary &
Registered Office**

Maggie Jones
Unit 8
Northwest Business Park
Servia Hill
Leeds
LS6 2QH

Registration Numbers

Company number
HCA registration number
Registered charity number

01829004
4688
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 2018.

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 became a Registered Social Landlord in January 2012. 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 for the group stood at £100k ((£625k) at 31 March 2017). 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.

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 pages 14-15 of this report.

Employees

Foundation's staff are its primary asset and although 2017/18 has been a difficult year in many respects (see below) investment in skills and active participation has continued throughout.

- The emphasis on positive mental health has continued from the previous year with a comprehensive training programme.
- A new annual Performance and Development Review process has been developed to support colleagues in putting Foundation's values into practice through the year and to ensure individual targets and aspirations align with the overall strategic direction of the organisation.
- The Investors in People group launched their action plan at the staff conference in November 2017, engaging colleagues in ideas for improving staff engagement and leadership across Foundation. The Trustee Board receive regular reports on progress and take an active interest in the IIP programme.
- A new Leadership Forum has been developed to build on the ILM qualifications achieved by all managers this year. The Forum meets quarterly and has a programme of training and development based around the concept of transformational leadership and positive coaching.
- 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 is in place 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 2018) comprises 9 Trustees with a range of relevant skills and experience, with the addition of a Customer Representative who has a formalised role and attends Board Meetings. 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 2017 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 and this has been supplemented with an interim plan for 2018-19. 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.

Currently there are no elected customer trustees, but a Customer Board Representative attends all Board meetings to act as a conduit between the board and customers. The Customer Board representative consults with customers between Board meetings and represents their views on key development and strategic decisions alongside supporting staff to consult with and engage customers in particular work areas.

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.

Group Report of the Board of Trustees including Group Strategic Report (Continued)**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 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 2017/18 Foundation worked with 2,268 individual customers to assist them in achieving their goals for a better life.

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

- 398 customers gained new settled accommodation.
- 346 customers maximised their income.
- 187 customers managed their debts better.
- 35 customers secured paid work.
- 119 customers took up education and training.
- 471 customers managed their mental health better.
- 221 customers were supported to improve the management of their substance misuse.
- 197 customers complied fully with their statutory court orders.
- 535 customers were helped to stay safe.
- 331 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:

- 79% of our customers left the service registered with a dentist.
- 97.5% of our customers left the service registered with a GP.
- 15% of our customers left the service currently involved in a club, society or other community activity.
- 98.3% of our customers left the service with a bank or post office account.
- 86% of our customers left the service with regular access to the Internet.
- 46% of our customers left the service registered to vote.
- 33% of our customers left the service using a local library.
- 14.5% of our customers left the service in paid work.
- 6% of our customers who left the service were participating in accredited training or education.

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

Additional outcomes scores at exit:

- 34% of our customers who left the service had undertaken some type of informal learning within the last six months.
- 13% 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).
- 13% 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 44% on entry to our services).

Accommodation:

- 86% 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 66 New Matter Start (NMS) cases for clients
- Closed 70 NMS cases for clients
- Opened 47 Certificated cases: an increase of 88% from the previous year
- Closed 16 Certificated cases
- Attended 251 court sessions across all courts – Bradford, Skipton, Harrogate, York, Bridlington and Scarborough
- Dealt with 881 Acts of Assistance in Court: an increase of 55% from the previous year
- Prevented homelessness in 454 of the cases: an increase of 37% from 2016/17
- Dealt with 85 internal enquiries from Foundation teams: an increase of 39% from 2016/17

Foundation Performance against targets for 2017/18

A Corporate Action Plan for the year was developed to achieve the relevant objectives within the Strategic Plan for 2017/18 with targets for achievement under each Goal:

Empowerment

- a) Customers to be involved in recruitment and induction across all teams
- b) Co-production service models to be developed by staff and customers together
- c) 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 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.

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

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

with rent and contract reductions have put a great strain on our operating model. It has been another difficult year for Foundation. The changes to terms and conditions of employment which Trustees reluctantly instituted to save costs in both the short and longer term and safeguard reserves caused industrial unrest through the first half of the year with strike action and the inevitable impact on staff morale. Services to customers were maintained throughout and although several strategic goals were delayed and targets not met due to this disruption 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.
- Roll out of the Co-production toolkit from the staff conference in November to support teams putting co-production into practice together with their customers.
- Reconfiguration and establishment of our new service in Barnsley in partnership with West Yorkshire CRC and Touchstone.
- Winning an extended service to provide new pathways out of homelessness for vulnerable people in Wakefield.
- All managers achieving a Level 3 or above management qualification.
- Piloting the splitting of our housing and general support services.
- Completed a new state of the art young people's residential facility in Scarborough.
- Undertaken extensive preparation, policy and practice change in readiness for the introduction of GDPR.

Concerted efforts have been made from September through the rest of the year to improve communication with staff, build trusting relationships with leaders and heal the divisions from the dispute. Foundation begins the 2018/19 year in a much stronger position with new routes for consultation and a collective re-commitment to our values and customers.

Performance against our major targets is set out below:

Empowerment

- i. **Co-production Activity** has been further extended across the organisation with all teams engaging customers in decision making and a steady rise in supporting more customer led initiatives. Customers have been involved in the recruitment of both front line and senior staff and a training course is being developed to extend this to create a cohort of customers trained in interviewing and candidate assessment. The Co-production toolkit has been placed on Foundation's learning management system with a series of activities and examples for staff to use to help extend opportunities for customers in a variety of settings and activities.
- ii. Our new Customer Board representative has been meeting customers in several teams and working with them to develop customer focussed materials, gather views to feed back to the board and making trustees aware of the difficulties and challenges some customers have faced within our services as well as their many achievements and inspiring stories of progress.
- iii. A new Strengths and Interests questionnaire has been developed with customers to assist both staff and customers to recognise and record the positive experience and expertise customers bring to the organisation and to their own journey to independence.

Foundation 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.

Inclusion

- i. **Investors in People:** Although we have not sought a new diversity quality mark this year our IIP group has been active through the year, working alongside colleagues to develop shared goals and values for their work and an action plan to achieve real change across the business. An inspiring session was held at the staff conference and actions to embed leadership and responsibility have been followed by structured opportunities for staff to work together to improve morale and support each other.

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

Progress has been reported regularly to Trustees, who signed off the action plan and continue to monitor developments with interest. Diversity data for recruitment and selection is routinely reported to Trustees and compared with local diversity statistics for each geographical area.

- 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. Apprentices now work in our Scarborough and Wakefield teams, with plans to recruit a further apprentice in central services in 2018/19 and within other teams as opportunities are provided through new contracts. Apprentices take part in our organisational training to increase their skills and network with other colleagues and existing staff are undertaking apprentice level qualifications in housing and general management skills. Apprenticeships will continue to be used as an opportunity to offer a range of people with different experience, a foothold into all the various roles available across the organisation.

Innovation

- i. **Social Enterprise:** *Foundation Living*, our social lettings agency has developed its offer to both landlords and tenants this year, undertaking comprehensive business planning and modelling as well as developing a new identity and website. We continue to offer the slowly growing service to a wider 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 society. Foundation Living is building a portfolio across West Yorkshire in partnership with local authorities who receive requests for help with housing and 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. **New Housing models:** The original goal of developing shared housing solutions for young people was delayed in favour of piloting the splitting of housing and general support services, benefitting more customer groups. The approach has been tested in Kirklees with both adult and young customers. This way of working separates Foundation's role as a landlord from that of a support provider using different staff teams to fulfil these functions. Customers have welcomed this approach as being clearer to understand and providing a better route to successfully managing their tenancy once support ends. A training course is now being developed for Housing Management staff to replicate this approach across more teams and locations.
- iii. **New services and funding streams:** Our new service Barnsley Futures supporting people with complex needs in Barnsley has been established this year in partnership with West Yorkshire Community Rehabilitation Company and Touchstone. Over the course of the year we have worked with some of the most vulnerable Barnsley residents in Holden House and in the community assisting them to find new homes and begin afresh with new skills and confidence. Residents have been supported with tenancy management training, cook and eat sessions and personalised progress plans which build on their aspirations and strengths. Further work will be undertaken in the year ahead to increase the supply of move on properties and find more customers a settled home.

Durham is now delivering a new Domestic Abuse Navigator Contract with extension funding to February 2019 to provide support to women surviving domestic abuse. These customers can also be provided with accommodation linked in with our needs complex services. These too have won extended funding to develop the service between March 2018 and March 2019. This has led to us supporting individuals with complex needs and an increase of 6 more properties within the original portfolio of 16 properties.

Professionalism

- i. **Coaching:** All leaders have undertaken an intensive training programme in positive coaching techniques to develop their skills in motivation and reflective practice. This is already achieving

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

significant results in improving performance and reducing conflict as well as helping staff to develop their own techniques for peer support and self-assessment.

- ii. **Rent and repairs:** The levels of collectable rent achieved (i.e. rent achievable removing voids) has remained comparable with previous years at 90.5%. Voids improved by 1% down to 5.2% and was our best result for the past four years. Former tenant arrears have improved through the year with three successive quarters at 4.4% comfortably below the annual target of 5% of total rent debt. Current tenant arrears have remained static and higher than target which is a reflection of the increasingly difficult welfare environment our customers are navigating. A concentrated effort will be made in 2018/19 to look at what additional measures can be put in place to support customers to leave Foundation debt free. Repairs completed to timescale have shown a significant improvement (5%) on last year's figures but still fall short of our target of 95%.
- iii. **Community based support:** Over the course of the year several teams have developed drop in services to assist customers with a variety of practical time limited problems and concerns. This has led to more customers receiving timely support for a particular issue rather than being assessed for long term support and entering the case management system. Foundation are able to increase the number of individuals we support through this way of working and reduce the stigma of seeking help. In Kirklees we are delivering drop in sessions in 5 community venues alongside other support and community services reaching a wider range of people and enabling our customers to link with other community based support and activities.
- iv. **Environmental Impact:** From April 2016 we have calculated the Carbon Footprint using a revised method that is both more accurately compiled and more pertinent to our actual office premises. The Carbon Footprint is the amount, in tonnes, of Carbon emissions used by Foundation staff, in the execution of their work, based on a figure per full time-equivalent (FTE). We calculate the 2 main uses:-Gas and electricity consumed within our office premises and vehicle fuel used in the carrying out of our business. The baseline figure for the 2016-17 year was 1.757 metric tonnes per FTE. The figure for 2017-2018 is 1.607 metric tonnes per FTE This represents a saving of 8.5% over the year.
The mileage usage was slightly higher than last year. Utilities usage however has reduced and, as they form the larger part of the carbon footprint, this represents an overall reduction well above our target.

Value for Money (VFM):

Foundation registered with the Homes and Communities Agency (now Homes for England) in January 2012 and a formal VFM strategy and policy was ratified by Trustees in February 2015. Foundation will look to refresh this strategy in 2018/19 in response to the new regulatory VFM standard published in March 2018.

Data for 2017/18 are as follows:

- Standard of Accommodation: -
 - 77.9% Standard of Accommodation Good or Great. (2018 Customer Survey)
- Repairs and maintenance standards:
 - 72.4% Repairs and Maintenance Standards Good or Great (2018 Customer Survey)
 - 1298 Repairs Reported
 - 81% Repairs completed within agreed timescales
- Complaints
 - 76 Complaints received – 100% acknowledged within 24 hours and 78% received full response within 15 days
 - 60 ASB reports received – 100% acknowledged within 24 hours and 81% received full response within 15 days
- Text survey results
 - 3.58 out of 5 in response to rating of property condition at move in
 - 3.64 out of 5 in response to rating of satisfaction with service received (when customer leaves)

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

- Rent collected
 - 90.2% rent collected (95.1% based on realisable rent)
- Void loss
 - 5.2%
- Bad debts :445 Debts written off
- Travel costs target of 10% saving exceeded at 24%
- Utility bills reduced to 94.5% of target.

In addition to quantifiable financial savings the business has been targeting other areas in which we could improve VFM. During the financial year we commenced the roll out of VOIP technology across the organisation in 2018 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. The switch to a new photocopier lease contract is continuing to deliver significant savings as underlying leases terminate and new copiers move on to the new contract rates. The central services team have moved to new rented premises which will be much more cost effective to run on an ongoing basis.

Value for Money Metrics

The 2018 Value for Money standard introduced seven metrics to be reported on across the sector. These are as follows:

1. Reinvestment (financial investment in acquiring and developing new properties). This measure is not applicable as Foundation does not purchase and develop properties but rather works in partnership with other landlords.
2. New Supply Delivered. This measure is not applicable as Foundation does not acquire properties. The number of properties rented can vary in relation to the contracts being delivered.
3. Gearing. Foundation does not have any debt.
4. Earnings before Interest, Tax, Depreciation, Amortisation, Major Repairs Included. This is an interest cover test that is an indicator for liquidity and investment capacity. As Foundation does not pay tax or interest, this is not a relevant measure.
5. Headline Social Housing Cost per Unit includes both owned and managed properties. The costs for Foundation were;

	2018	2017
	£6,957	£7,038

The reduction in costs reflects the efficiencies delivered through reducing overheads and improving working patterns.

6. Operating Margin-this demonstrates the profitability of operating assets before exceptional expenses are taken into account.

	2018	2017
➤ Social Housing lettings Only	11.3%	10%
➤ Overall	4.1%	4.3%

Continuing austerity measures impacting the financial value of support contracts are driving margins down on that sector of the business.

7. Return on Capital employed (ROCE) % measures the efficient investment of capital resources.

	2018	2017
	19%	25%

The reduction in support contract margins has contributed to a reduced operating surplus and therefore reduced ROCE.

Financial Performance and Position at the End of the Year

At the end of March 2016 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 2017/18 with a negative statement of financial position in the order of £625k which created challenges with some potential funders. The retendering of a number of contracts combined with aggressive cost control across the business resulted in an operating surplus of £440k (2017:£486k) for the year and after

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

pension scheme adjustments, interest and the profit on the sale of Tennant Hall a total comprehensive income of £725k (2017: £366k). This has resulted in the consolidated statement of financial position moving back in to positive territory at £100k (2017 (£625k)).

The contracts run by the business are all being well managed financially with further cost cutting measures introduced in 2017/18 but the reduction in turnover of £654k 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 £597k during the year provides additional comfort that we can meet our liabilities.

Future Plans**Ambitions for 2018/19**

The disruptions experienced through 2017/18 have meant that we did not achieve all our ambitions for the year and also did not have the capacity to develop a new three year strategic plan. Trustees have therefore agreed to the development of a one year interim plan for 2018/19 to enable the organisation to complete and consolidate key deliverables from the previous plan and create space to involve customers and staff in planning for the future. Goals and an implementation plan for this year have been agreed under the following themes;

- 1. Supporting and developing our people**
- 2. Building our organisation**
- 3. Growth and sustainability**
- 4. Proving our worth**

Moving forward Foundation will continue to prioritise diversification of income with a greater emphasis on social enterprise activity to complement contract income. We have ambitions to expand our Legal Service across new geographies, work in closer delivery partnerships with a wider range of organisations and actively consider merger as a way of diversifying both income and skills.

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
- The impact of BREXIT on both public services and employment opportunities for customers
- Compliance with the new GDPR requirements by ourselves and our delivery partners.

As noted in the statement of internal control on page 16, 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

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

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 2018. The key risks within the plan are monitored through the Corporate Performance Framework. The risk register is reviewed annually by the Board and three monthly at committee level. A separate risk register has been developed for GDPR implementation. 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 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 framework contracts and the risks of non-payment and cash flow issues
- Recruitment of high calibre staff

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 and representatives 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. Foundation believes that 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.

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

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 leadership team and significant variances 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. A separate risk register has been developed to monitor and track implementation of GDPR and ensure ongoing compliance.

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 leaders and 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.

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

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 2017/18. 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 commenced 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, together with a number of smaller contracts in the North East furthering our work. Foundation Stone Legal services has won some new contracts to commence in the autumn of 2018 and the long term investment in building landlord relationships is beginning to yield growth in our social lettings agency.

Group Report of the Board of Trustees including Group Strategic Report (Continued)**Accounting Policies**

The Group's principal accounting policies are set out on pages 28 to 32 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. During 2017/18 the sale of the group's head office was completed. A formal investment policy was adopted by Trustees and Charles Stanley were appointed as professional investment advisers. Investment of the net sale proceeds in a low-moderate risk portfolio commenced in May 2018 with the aim of producing a return sufficient to protect the capital and generate income greater than cash deposit rates.

Capital structure and treasury policy

Foundation does not have any loan facilities, the Group is supported by the current cash in hand of £1,820k (2017: £1,223k).

Gender Pay Gap

Foundation reported on its gender pay gap in line with the new legislation. The mean gap is 2.1% which is reflective of the fact that although the organisation staffing is 70% female, there are a greater number of males in management posts. The results of these findings will be taken account of in the organisation's people strategy.

Annual general meeting

The annual general meeting will be held on 12 September 2018.

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 and signed on its behalf by:



Chair: Claire Vilarrubi

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FOUNDATION**Opinion**

We have audited the financial statements of Foundation (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 March 2018 which comprise the consolidated statement of comprehensive income, the consolidated and company statements of financial position, the consolidated and company statements of changes in reserves and the consolidated and company statements of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 March 2018 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;
- 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Trustees are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider

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

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

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Group Strategic Report and the Group Report of the Board of Trustees for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Group Report of the Board of Trustees has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters in relation to which 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.

Respective responsibilities of Trustees

As explained more fully in the Trustees' Responsibilities Statement set out on page 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, and for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

Use of our report

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.

RSM UK Audit LLP

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

23 August 2018

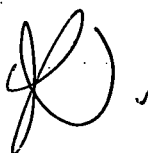
Consolidated Statement of Comprehensive Income for the year ended 31 March 2018

	Note	2018 £'000	2017 £'000
Turnover	3	10,728	11,382
Operating costs	3	(10,288)	(10,896)
Operating Surplus		440	486
Interest receivable and other income	6	4	5
Interest payable and similar charges	7	(32)	(53)
Profit on disposal of freehold property		283	
Surplus on ordinary activities before taxation		695	438
Tax on surplus on ordinary activities		-	-
Surplus for the financial year		695	438
Actuarial Gain/(loss) in respect of pension schemes	22	30	(72)
Total Comprehensive Income for the year		725	366

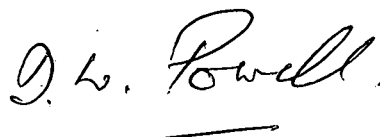
The notes on pages 28 to 47 form part of these financial statements.

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

The financial statements on pages 22 to 47 were approved by the Board and authorised for issue on August 23, 2018 and are signed on its behalf by:



Chair: Claire Vilarrubi



Chair of Resources: David Powell


Consolidated Statement of Financial Position as at 31 March 2018

	Note	2018 £'000	2017 £'000
Tangible fixed assets			
Intangible Assets	10	3	10
Housing properties	11	651	627
Other tangible fixed assets	12	<u>130</u>	<u>541</u>
Total fixed assets		784	1,178
Current assets			
Debtors	14	955	909
Cash and cash equivalents		<u>1,820</u>	<u>1,223</u>
		2,775	2,132
Creditors: Amounts falling due within one year	15	<u>(1,237)</u>	<u>(1,355)</u>
Net current assets		<u>1,538</u>	<u>777</u>
Total assets less current liabilities		<u>2,322</u>	<u>1,955</u>
Provisions for liabilities			
Pension provision	22	<u>(2,222)</u>	<u>(2,580)</u>
		(2,222)	(2,580)
Net Assets /(Liabilities)		<u>100</u>	<u>(625)</u>
Capital and reserves			
Reserves	17	100	(625)
		<u>100</u>	<u>(625)</u>

The financial statements on pages 22 to 47 were approved by the Board and authorised for issue on 23 August 2018 and are signed on its behalf by:


Chair: Claire Vilarrubi


Chair of Resources: David Powell


Company Secretary: Maggie Jones

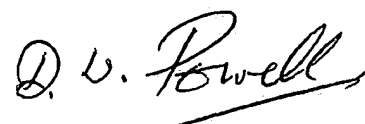
Company Statement of Financial Position as at 31 March 2018

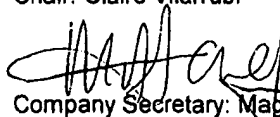
	Note	2018 £'000	2017 £'000
Tangible fixed assets			
Intangible Assets	10	3	10
Housing properties	11	651	627
Other tangible fixed assets	12	<u>130</u>	<u>541</u>
Total fixed assets		784	1,178
Current assets			
Debtors	14	1,085	934
Cash and cash equivalents		<u>1,809</u>	<u>1,197</u>
		2,894	2,131
Creditors: Amounts falling due within one year	15	<u>(1,194)</u>	<u>(1,313)</u>
Net current assets		<u>1,700</u>	<u>818</u>
Total assets less current liabilities		<u>2,484</u>	<u>1,996</u>
Provisions for liabilities			
Pension provision	22	<u>(2,222)</u>	<u>(2,580)</u>
		(2,222)	(2,580)
Net Assets/(Liabilities)		<u>262</u>	<u>(584)</u>
Capital and reserves			
Reserves	17	262	(584)
		<u>262</u>	<u>(584)</u>

As permitted by s408 Companies Act 2006, the company has not presented its own statement of comprehensive income. The result of the company for the financial year was a surplus of £816,000 (2017:£479,000) and total comprehensive income of £846,000 (2017:£407,000).

The financial statements on pages 22 to 47 were approved by the Board and authorised for issue on August 23, 2018 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 2018**

	General reserve £'000	Total £'000
Balance at 1 April 2017	(625)	(625)
Surplus for the year	695	695
Actuarial gain	30	30
	<hr/>	<hr/>
Balance as at 31 March 2018	100	100
	<hr/>	<hr/>

**Company Statement of Changes in Reserves
for the year ended 31 March 2018**

	General reserve £'000	Total £'000
Balance at 1 April 2017	(584)	(584)
Surplus for the year	816	816
Actuarial gain	30	30
	<hr/>	<hr/>
Balance as at 31 March 2018	262	262
	<hr/>	<hr/>

Consolidated Statement of Cash Flows for the year ended 31 March 2018

	Note	2018 £'000	2017 £'000
NET CASH FROM OPERATING ACTIVITIES	23	5	232
CASH FLOW FROM INVESTING ACTIVITIES			
Proceeds from sale of tangible fixed assets		715	-
Purchase of tangible fixed assets		(127)	(130)
Purchase of intangible assets		-	(6)
NET CASH FROM/(USED) IN INVESTING ACTIVITIES		588	(136)
CASH FLOW FROM FINANCING ACTIVITIES			
Interest received		4	5
NET CASH FROM FINANCING ACTIVITIES		4	5
Increase in cash and cash equivalents		597	101
Brought forward cash and cash equivalents		1,223	1,122
Carried forward cash and cash equivalents		1,820	1,223

Company Statement of Cash Flows for the year ended 31 March 2018

	Note	2018 £'000	2017 £'000
NET CASH FROM OPERATING ACTIVITIES	23	19	206
CASH FLOW FROM INVESTING ACTIVITIES			
Proceeds from sale of tangible fixed assets		716	-
Purchase of tangible fixed assets		(127)	(130)
Purchase of intangible assets			(6)
NET CASH FROM/(USED) IN INVESTING ACTIVITIES		589	(136)
CASH FLOW FROM FINANCING ACTIVITIES			
Interest received		4	5
NET CASH FROM FINANCING ACTIVITIES		4	5
Increase/(decrease) in cash and cash equivalents		612	75
Brought forward cash and cash equivalents		1,197	1,122
Carried forward cash and cash equivalents		1,809	1,197

Notes to the Financial Statements for the year ended 31 March 2018**1. Legal Status**

The Company is registered under the Companies Act 2006 and is registered with Homes England (previously 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 Unit 8, Northwest Business Park, Servia Hill, Leeds, LS6 2QH. 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 they 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.

Consolidated financial statements

The financial statements of the group consolidate the financial statements of Foundation and its subsidiary undertaking Foundation Stone Enterprises Limited up to 31 March 2018.

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 2017/18. 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 commenced 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 together with a number of smaller contracts in the North East furthering our work. Foundation Stone has won some new contracts to commence in the autumn of 2018 and the long term investment in building landlord relationships is beginning to yield growth in our social lettings agency.

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 2018 (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 2018 (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 2018 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 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. Only three properties are let for social housing, the remaining six properties are managed by Foundation Stone and let to non-social housing tenants.

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 2018 (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	33⅓% on cost

Operating Leases

Rentals payable under operating leases are charged to the Statement of Comprehensive Income 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 2018 (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.

Financial instruments

The Group only enters into basic financial instrument transactions that meet the criteria of a basic financial instrument as defined in FRS102 Section 11, and that result in the recognition of financial assets and liabilities such as trade and other debtors and trade and other creditors.

These instruments are initially recorded at the transaction price less any transaction cost (historical cost). FRS 102 requires that basic financial instruments are subsequently measured at amortised cost, however, the group has calculated that the difference between the historical cost and amortised cost is not material and therefore these financial instruments are stated on the statement of financial position at historical cost.

Provision for bad and doubtful debts

The provision is calculated to cover the likelihood of rental income due from tenants not being received. The provision takes into account the age of the outstanding balance and whether it is payable through Housing Benefit or client contributions. Details of the provision are disclosed at note 14.

Notes to the Financial Statements for the year ended 31 March 2018 (Continued)

3. Turnover, operating costs and operating Surplus/(Deficit)

Continuing activities

	2018		2017	
	Turnover £'000	Operating Costs £'000	Turnover £'000	Operating Costs £'000
		Operating Surplus/(Deficit) £'000		Operating Surplus/(Deficit) £'000
Social housing activities				
Income and expenditure from lettings	4,626	(4,105)	4,319	(3,885)
		521		434
Other social housing activities				
Supporting people contract income	5,131	(5,095)	6,341	(6,197)
Other social housing income and expenditure	16	(16)	52	(51)
		0		1
Non-social housing activities				
	955	(1,072)	670	(763)
		(117)		(93)
Total	10,728	(10,288)	11,382	(10,896)
		440		486

Notes to the Financial Statements for the year ended 31 March 2018 (Continued)

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

Particulars of income and expenditure from social housing lettings

	2018	2017
	Supported Housing £'000	Supported Housing £'000
Turnover from social housing lettings		
Rent receivable	3,346	3,321
Void Costs	(275)	(296)
Service Charges Receivable	1,763	1,491
Debts written off	(208)	(197)
Net rental income	4,626	4,319
Other revenue grants	-	-
Turnover from social housing lettings	4,626	4,319
Expenditure on social housing lettings		
Rent	(2,488)	(2,422)
Costs relating to tenants	(30)	(29)
Light and heat	(73)	(60)
Routine maintenance	(162)	(194)
Planned maintenance	(588)	(605)
Staff costs	(625)	(436)
Other Costs	(203)	(150)
Bad Debts Provision	64	11
Operating costs on social housing Lettings	(4,105)	(3,885)
Operating Surplus on social housing lettings	521	434

4. Accommodation in management and development

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

	2018 Units	2017 Units
Supported housing-owned	4	9
Supported housing managed	586	543
Total units	590	552

Notes to the Financial Statements for the year ended 31 March 2018 (Continued)

5. Operating surplus/(deficit)

This is arrived at after charging/(crediting)

	2018 £'000	2017 £'000
Release of capital grant	(140)	(7)
Depreciation of tangible fixed assets	80	77
Amortisation of Intangible fixed assets	9	8
Operating lease rentals		
- land and buildings	142	152
- office equipment	18	25
External Auditor's remuneration (including VAT)		
- external audit services	21	20
- accountancy and taxation services	2	2

6. Interest receivable and other income

	2018 £'000	2017 £'000
Net finance income	-	-
Bank interest	4	5
	4	5

7. Interest payable and similar charges

	2018 £'000	2017 £'000
Pension scheme – net finance charge	32	53
	32	53

8. Employees

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

	Company		Group	
	2018 Average Number	2017 Average Number	2018 Average Number	2017 Average Number
Charitable work	199	247	207	254
Support services	26	28	26	28
	225	275	233	282

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

	Company		Group	
	2018 Average FTEs	2017 Average FTEs	2018 Average FTEs	2017 Average FTEs
Charitable work	156	149	164	187
Support services	24	25	24	25
	180	174	188	212

Notes to the Financial Statements for the year ended 31 March 2018 (Continued)**8. Employees (continued)**

Employee costs:

	Company		Group	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Wages and salaries	4,626	5,348	4,838	5,504
Social security costs	359	421	378	436
Other pension costs	129	149	136	152
	5,114	5,918	5,352	6,092

The Company's employees were eligible to be members of the Social Housing Pension Scheme. Further information on the scheme is given at note 22.

9. Executive Officers' and senior staff emoluments

	2018 £'000	2017 £'000
Aggregate emoluments paid to all Executive Officers, excluding pension contributions	239	236
Aggregate amount of all Executive Officers' pensions	11	11
Aggregate amount of all Executive Officers' Employer's NI Contribution	28	28
Emoluments of the Chief Executive, who was also the highest paid employee, excluding pension contributions	70	70
Pension Contributions	4	4

Emoluments for the Officers fall into the following bands:

	2018 Number	2017 Number
More than £60k but not more than £70k	1	1
More than £70k but not more than £80k	1	1

No other employees received emoluments of more than £60,000.

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:

	2018 Number	2017 Number
Number of Trustees who were paid expenses	3	5

Trustee expenses of £1,544 (2017: £1,290) comprise travel and sundry expenses attendance allowances.

Notes to the Financial Statements for the year ended 31 March 2018 (Continued)

10. Intangible fixed assets

		Purchased computer software £'000
Group and Company		
Cost		
At 1 April 2017		230
Additions		2
		<hr/>
At 31 March 2018		232
		<hr/>
Depreciation		
At 1 April 2017		220
Charge for year in operating costs		9
		<hr/>
At 31 March 2018		229
		<hr/>
Net book value		
At 31 March 2018		3
		<hr/>
At 31 March 2017		10
		<hr/>

11. Tangible fixed assets – housing properties

Group and Company Cost	Social housing properties held for letting £'000
At 1 April 2017	867
Additions	46
At 31 March 2018	<u>913</u>
Depreciation	
At 1 April 2017	240
Charge for year	22
At 31 March 2018	<u>262</u>
Net book value	
At 31 March 2018	<u>651</u>
At 31 March 2017	<u>627</u>

Included in the above is a property in Scarborough with a net book value of £132,000. 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 2017	827	302	23	29	1,181
Additions	-	70	2	7	79
Disposals	(700)	(189)	-	-	(889)
At 31 March 2018	127	183	25	36	371
Depreciation					
At 1 April 2017	314	286	22	18	640
Depreciation charge for the year	32	16	1	8	57
Disposals	(274)	(182)	-	-	(456)
At 31 March 2018	72	120	23	26	241
Net book value					
At 31 March 2018	55	63	2	10	130
At 31 March 2017	513	16	1	11	541

The freehold head office property was sold in March 2018.

Notes to the Financial Statements for the year ended 31 March 2018 (Continued)

13. Investments

Company	Investment in subsidiary £
1 April 2017 and 31 March 2018	1

The investment represents the 100% holding of the issued share capital of Foundation Stone Enterprises Limited, registered office Unit 8, Northwest Business Park, Servia Hill, Leeds, LS6 2QH. The company currently delivers housing related legal services and has recently established a social lettings agency.

14. Debtors

	Group 2018 £'000	2017 £'000	Company 2018 £'000	2017 £'000
Rent and service charges receivable	534	561	534	561
Less: provision for bad and doubtful debts	(156)	(220)	(156)	(220)
	378	341	378	341
Amounts due from group undertakings	-	-	230	99
Other debtors	266	308	252	294
Prepayments and accrued income	311	260	225	200
	955	909	1,085	934

15. Creditors: amounts falling due within one year

	Group 2018 £'000	2017 £'000	Company 2018 £'000	2017 £'000
Trade creditors	281	212	280	211
Other taxes and social security	93	98	93	98
Other creditors	139	135	122	106
Accruals	276	288	251	276
Deferred income	448	482	448	482
Deferred government grant (note 19)	-	140	-	140
	1,237	1,355	1,194	1,313

Deferred income includes £80,000 (2017:£64,000) relating to a 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 2018 (Continued)

16. Financial instruments

	Group 2018 £'000	2017 £'000	Company 2018 £'000	2017 £'000
Carrying amount of financial assets				
Measured at amortised cost	644	649	860	734
Carrying amount of financial liabilities				
Measured at amortised cost	696	775	653	733

17. Reserves

Group	Undesignated Reserve £'000	Designated Reserve £'000	General Reserve £'000
At 1 April 2017	(1,103)	478	(625)
Surplus for the year	695	-	695
Actuarial Gain	30	-	30
Transfers to general reserve	11	(11)	-
At 31 March 2018	(367)	467	100

Designated Reserves	1 April 2017 £'000	Income £'000	Expenditure £'000	Transfers £'000	31 March 2018 £'000
St Peter's Building Innovation and Project Development	333	-	(6)	-	327
Scarborough Property Fund	10	-	(2)	-	8
	135	-	(3)	-	132
Total designated reserves	478	-	(11)	-	467

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 is being used for specialised training and related activities.

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 2018 (Continued)

17. Reserves (continued)

Company	Undesignated Reserve £'000	Designated Reserve £'000	General Reserve £'000
At 1 April 2017	(1,062)	478	(584)
Surplus for the year	816	-	816
Actuarial Gain	30	-	30
Transfers to general reserve	11	(11)	-
At 31 March 2018	(205)	467	262

Designated Reserves	1 April 2017 £'000	Income £'000	Expenditure £'000	Transfers £'000	31 March 2018 £'000
St Peter's Building Innovation and Project Development	333	-	(6)	-	327
Scarborough Property Fund	10	-	(2)	-	8
	135	-	(3)	-	132
Total designated reserves	478	-	(11)	-	467

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 is being used for specialised training and related activities.

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

18. Capital commitments

The Group had no capital commitments as at 31 March 2018 (31 March 2017: none).

19. Deferred government grant

	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Balance at 1 April	140	147	140	147
Released during the year	(140)	(7)	(140)	(7)
Balance at 31 March	-	140	-	140

Notes to the Financial Statements for the year ended 31 March 2018 (Continued)

20. Other commitments

At 31 March 2018 the Group had total future minimum payments under non-cancellable operating leases as follows:

	Land and Buildings		Other	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Expiry Date:				
Within one year	185	68	8	18
Between two and five years	263	58	2	10
	448	126	10	28

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.

21. Contingent liabilities

The charge from Leeds City Council was due to expire in July 2018 but was lifted by the Council in November 2017 and the charge from the Big Lottery Communities Fund was withdrawn by BLF in May 2017.

22. 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. It is not possible for the company to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it accounts for the scheme as a defined contribution scheme.

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:

Notes to the Financial Statements for the year ended 31 March 2018 (Continued)

22. Pension obligations (continued)

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 2018 (Continued)

22. Pension Obligations (continued)

RECONCILIATION OF OPENING AND CLOSING PROVISIONS

	31 March 2018 £'000	31 March 2017 £'000	31 March 2016 £'000
Present value of provision	2,223	2,580	2,800
	Period Ending 31 March 2018 £'000	Period Ending 31 March 2017 £'000	Period Ending 31 March 2016 £'000
Provision at start of year	2,580	2,800	2,253
Unwinding of the discount factor (interest expense)	32	53	41
Deficit contribution paid	(359)	(345)	(263)
Remeasurements - impact of any change in assumptions	(30)	72	(17)
Remeasurements - amendments to the contribution schedule	-	-	786
Provision at end of year	2,223	2,580	2,800

INCOME AND EXPENDITURE IMPACT

	Period Ending 31 March 2018 £'000	Period Ending 31 March 2017 £'000	Period Ending 31 March 2016 £'000
Interest expense	32	53	41
Remeasurements – impact of any change in assumptions	(30)	72	(17)
Remeasurements – amendments to the contribution schedule	-	-	786
Contributions paid in respect of future service*	-	-	-
Costs recognised in income and expenditure account	2	125	810

*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 2018 % per annum	31 March 2017 % per annum	31 March 2016 % per annum
Rate of discount	1.72	1.33	2.06

Notes to the Financial Statements for the year ended 31 March 2017 (Continued)
22. 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 2018 £'000	31 March 2017 £'000	31 March 2016 £'000
Year 1	373	359	345
Year 2	388	373	359
Year 3	333	388	373
Year 4	273	333	388
Year 5	283	273	333
Year 6	236	283	273
Year 7	185	236	283
Year 8	191	185	236
Year 9	98	191	185
Year 10		98	191
Year 11		-	98
Year 12		-	-
Year 13		-	-
Total	2,360	2,719	3,064

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 2018 (Continued)

23. Reconciliation of Surplus to net cash generated from in operating activities

	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Surplus/(deficit) for the year	695	438	816	479
Depreciation of tangible fixed assets	80	76	80	76
Amortisation of intangible assets	9	9	9	9
Profit on sale of tangible fixed assets	(283)	-	(283)	-
Interest receivable	(4)	(5)	(4)	(5)
Interest payable	32	53	32	53
Pension Costs	(359)	(345)	(359)	(345)
Release of capital grant	(140)	(7)	(140)	(7)
	30	219	151	260
Working capital movements				
Decrease/(increase) in debtors	(46)	19	(151)	(6)
Decrease in creditors	21	(6)	19	(48)
Net cash generated from operations	5	232	19	206

24. Related parties

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