

Charity Registration No. 292579

Company Registration No. 01859070 (England and Wales)

PATHWAYS TO INDEPENDENCE LTD
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

PATHWAYS TO INDEPENDENCE LTD

LEGAL AND ADMINISTRATIVE INFORMATION

Trustees	Mr J A Gilbourne L E A Blake S L Miller P Nancoo A C Skinner A J Vincent P L H Whaley
Secretary	H M Campbell - Wroe
Charity number	292579
Company number	01859070
Registered office	25 Victoria Street Rochester Kent ME1 1XJ
Auditor	Crossley Financial Accounting Limited Star House Star Hill Rochester Kent

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TRUSTEES' REPORT (INCLUDING DIRECTORS' REPORT) FOR THE YEAR ENDED 31 MARCH 2020

The Trustees presents it's report and financial statements for the year ended 31 March 2020.

The financial statements have been prepared in accordance with the accounting policies set out in note 1 to the financial statements and comply with the charity's [governing document], the Companies Act 2006 and "Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2019)".

Objectives and activities

Purposes and Aims

Our charity's purpose as set out in the objects contained in the company's articles of association is to:

Provide support and relief, including rehabilitation from the causes and effects of poverty, homelessness, illness and criminal behaviour for persons aged 16 and over in the county of Kent and surrounding area by providing or assisting in the provision of accommodation, education, training for employment, advice and counselling and other supportive facilities for such persons.

Our Vision

Our vision is of a society where nobody's past creates an unfair barrier to a successful future, and everybody has a home.

Ensuring our work delivers our aims

Overview of the year 2019-20

Pathways has been serving marginalised and socially excluded clients within communities across Kent and Medway for many years and has a proven track record in improving the lives of homeless and vulnerable people. Our support enables clients to significantly improve their opportunities in life and allows them to develop fulfilling and settled lives within their local community.

The past year has been extremely challenging, with the loss of 65% of the charity's stable income through Kent County Council's recommissioning of homeless services in Kent, whereby ex-offender housing related support services were no longer funded by the County Council. The impact of this decision making meant the closure of PTI's seven ex-offender services, with the loss of 33 supported accommodation beds for those vulnerable offenders leaving custody.

These significant changes resulted in PTI staff having to work at speed with local districts and boroughs to try to get these residents housed in temporary accommodation. This was a difficult and worrying time for beneficiaries of this service.

The impact was also felt at an organisational level, as it resulted in a necessary restructure at the charity and several staff members were made redundant.

One positive outcome of this challenging time was that PTI was able to gain a platform for showcasing its work at district and borough level. This resulted in two key opportunities for the organisation, one with Thanet District council and one with Maidstone Borough Council.

At the same time as brokering a new partnership with Maidstone Borough Council and delivering on the Somewhere Safe to Stay project in Thanet, one of our services in Medway experienced a serious fire, resulting in the decant of the occupants and total refurbishment of the building. This was a major setback for the Medway services, although fortunately, no one was injured and PTI continued to support clients who had been temporarily housed by Medway Council. We were able to reopen the service in May 2020.

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TRUSTEES' REPORT (INCLUDING DIRECTORS' REPORT) (CONTINUED) **FOR THE YEAR ENDED 31 MARCH 2020**

In spite of these significant challenges to income and operations, and as well as developing two new major services in the year, PTI has continued its organisational journey to develop trauma informed services, with staff trained in developing compassionate responses to trauma and using 'elastic tolerance' in their approaches to breaches of accommodation or Code of Conduct rules. This has been underpinned by monthly reflective practice, provided to all staff and management by a Clinical Psychologist; these sessions allow an outlet for any client or colleague issue to be dealt with within the safe space of a closed group. The psychologist has been able to guide staff in how to manage their own responses or in exploring new approaches to working with a client or situation they are finding challenging.

The continued development of creating a psychologically informed organisation, has been a fundamental cultural change in the way PTI delivers its services to beneficiaries and how staff operate. To further reinforce this ethos, PTI commissioned Homeless Link to re-write all its key policies, using the lens of trauma. Some of the practices within the policies indicate a clear shift in expected response from staff, to act in a compassionate manner and in a way that asks 'what has happened to you?' rather than 'what is wrong with you?'. These practices are underpinned by sound risk management processes but enable a positive risk-taking mentality, that allows for mistakes, second chances and a rehabilitative response within a structured framework of support.

As well as these significant changes to culture and practice, PTI has continued to explore strategic opportunities for growth, income diversification and stability. PTI has been bold and innovative in its appetite for development, but these opportunities are coupled with short term, funding arrangements, meaning long term funding security is yet to be secured. Trustees, along with the Executive, have worked together to make bold decisions and explore new avenues, as part of a strategic focus on long term stability and to secure PTI's future income generation.

Trustees have undertaken some strategic work with the Executive to analyse income streams, plan for 'what if' scenarios and explore different ways to make the charity more cost effective and competitive, including exploring opportunities for some functions to be outsourced. Trustees and the Executive have also undertaken a horizon scanning exercise, to look at ways of meeting the charity's aims through alignment with other organisations.

How our activities deliver public benefit

The Trustees have had due regard to the public benefit guidance published by the Charity Commission.

Pathways has been serving marginalised and socially excluded clients within communities across Kent and Medway for many years and has a proven track record in improving the lives of homeless people. Our support enables clients to significantly improve their opportunities in life and allows them to develop fulfilling and settled lives within their local community.

We are satisfied that when reviewing the charities strategic aims and objectives, as well as all activities and policies, that Pathways meets public benefit requirements.

Who used and benefited from our services?

With the closure of the Kent offender services and administration support that supported this, along with the Medway Commissioner's requirements for all Housing Related Support services to use the 'Locata' system (as opposed to an internal referral and waiting list process), the organisation has lost the ability to monitor demand for the services. This central management of referrals in Medway, along with PTI's opening of two new projects, has meant that this year has not been typical in terms of void management and PTI has seen some instability in this area of business.

Nonetheless, in spite of the closure of 33 beds in Kent, PTI opened a further 42 beds in Kent during the year – 31 in Maidstone and 11 in Ramsgate – exceeding the number of supported beds it has run in several years. During the year, 64 new clients were accommodated in supported accommodation services.

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TRUSTEES' REPORT (INCLUDING DIRECTORS' REPORT) (CONTINUED) **FOR THE YEAR ENDED 31 MARCH 2020**

Somewhere Safe to Stay - Thanet

In the Spring of 2019, following close working relationships with Thanet District Council through the decant of one of the offender services, the council approached PTI and asked if we would partner with them on a bid to the MHCLG for the 'Somewhere Safe to Stay' funding. Our partnership secured a £500k per annum grant to run a 24hr service with 4 emergency bed spaces and 7 individual flats for those with more complex needs who may need further support or assessment before finding a suitable move on accommodation.

This pilot project had some considerable challenges with regards to the fabric of the building, permissions required for changes to the physical layout and building alterations on a Grade II listed building; in addition, the commissioner felt there was a growing demand for more temporary and emergency bed spaces, which this service was not designed to meet, so the service ran until March 2020, when it was felt that the accommodation needs of the target population had changed and they could not be best met there.

The Link Project – Maidstone

This is a new and innovative partnership between statutory, private and voluntary sector bodies with a common interest in supporting offenders to get back onto their feet and prevent homelessness.

Three local authorities, Seetec CRC and PTI worked together to build a supported accommodation service for those leaving prison, on licence or on a community supervision order. In the autumn of 2019, we began a recruitment of staff and mobilisation of the 31-bed service with 3 Registered Social landlords and a private landlord providing the properties to us for lease.

The project has not been without its challenges, but we successfully started opening the services to residents in January 2020, with the final properties opening and accommodating people in March 2020, during the start of the global, Covid-19 pandemic in the UK. We need to ensure a long-term funding mechanism for this service, though have secured this until June 2021.

Areas of work – Supported, Activities, Counselling

'Housing related support needs' encompass any skill deficiency or personal issue that affects a person's life in such a way that it inhibits their ability to maintain their own independent accommodation. Pathways uses the 'Homelessness Star' assessment tool to measure an individual's 'journey' within the following key outcome areas:

1. Motivation and taking responsibility
2. Self-care and living skills
3. Managing money and personal administration
4. Social networks and relationships
5. Drug and alcohol misuse
6. Physical health
7. Emotional and mental health
8. Meaningful use of time
9. Managing tenancy and accommodation
10. Offending

Whilst this tool is a deficiency-based model, it is still seen by the homelessness sector as an effective tool to measure a support journey and in keeping with the developing trauma informed approaches, PTI Support Coaches use it with a strengths based approach, working with the client to understand and plan what he/she can do and building from there.

A client's journey is measured at various stages during their stay with Pathways through regular key-work sessions with an allocated coach. The aim is to develop skills in the above areas so that they can live alone, long term, with minimal assistance and understanding the responsibilities of being a tenant and having the skills to maintain that tenancy to create stability in their lives.

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TRUSTEES' REPORT (INCLUDING DIRECTORS' REPORT) (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

The majority of our clients present with multiple and inter-related support needs, especially around substance misuse and physical and mental health issues. Over the last few years, we have seen an increasing number of complex needs clients being referred to our services. We have welcomed small pockets of funding, such as the Medway Rough Sleeper Initiative, which has enabled the funding for 'enhanced hostel support', creating a post attached to the main Medway Support Coach team, whose aim is to give additional support hours to 5 complex needs clients within the services to enable them to address their support needs and maintain their tenancy with us. 25% of our contracted homeless beds are being used by RSI complex needs service users, with a further 25% who are RSI clients. All these clients have some history of sleeping rough and some display entrenched behaviours, last year 69% of those supported by PTI moved on in a planned way.

Achievements and performance

Counselling

PTI is fortunate in attracting a succession of student counsellors over the past few years and in this last year, 8 clients have successfully completed counselling sessions with 3 clients still receiving counselling from Pathways.

Comments from clients included:

"I was very satisfied with my counsellor, and the counselling session, cannot think of anything to improve."

"Regular contact and being available straight away was great".

"I found having a counsellor really helpful and it has helped me look at things differently".

Pathways to Change Course

At the end of this financial year, two Support Coaches with previous experience in working with clients who struggle with substance misuse, have begun to develop a course, entitled 'Pathways to Change', a course designed to talk to clients about their addiction and how to encourage harm minimisation.

5 clients signed up to the first course and they completed six out of eight sessions before Covid impacted us in March 2020. This is something that will be continued and adapted in the next year.

Preparations for independent living:

Healthy eating

Life skills and preparing for living independently is something that is hugely important for many clients in our services and cooking together is always something that brings the service community together. 10 Pathways clients have accessed healthy eating and cooking sessions either in the community or in key working sessions over the past year.

Tenancy sustainment

2 tenancy sustainment courses were held over the year with Medway Council and 11 clients attended.

Christmas Celebrations in the services

Christmas 2019 and all clients were invited to join staff and management for a Christmas party and celebration of the season. 15 Pathways clients attended the Christmas party and several other localised events were held within projects.

Pathways distributed over 25 Christmas food hampers to services at Christmas time with the kind support of KICC, who have donated them to us for several years now.

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TRUSTEES' REPORT (INCLUDING DIRECTORS' REPORT) (CONTINUED) **FOR THE YEAR ENDED 31 MARCH 2020**

Volunteer work

PTI is hugely grateful to the small number of volunteers who work in our organisation and this year there have been two projects that have really benefitted our clients:

Gardening

Being out in nature and looking after the environment, is something we are keen to support clients to do, though outdoor space in our services is often limited. Nonetheless, with the help of volunteers, five clients took part in three gardening clubs at MVC during the year.

Literacy work

We are very lucky to have a literacy teacher volunteer with us and she has assisted 4 individuals with 1-2-1 work to improve their reading, writing and comprehension skills.

Service User Work

Service user work at PTI is still an area for development but organisationally, we are keen to involve clients where we can and certainly, when it comes to issues that affect them directly. In that spirit, 14 clients took part in consultation sessions around changes to the service and 7 have taken part in recruitment panels and training.

Partnership working with other organisations

Pathways continues to look for opportunities to collaborate with, or work alongside, other relevant organisations working with the same or similar client group. The following are examples of the work undertaken in this respect:

Outreach Work with Rough Sleepers

During the year, Pathways staff were instrumental in planning and hosting multi-agency rough sleeper counts in the Medway area, in partnership with AMAT, Medway council and other local voluntary sector organisations. 11 different staff members from the PTI team volunteered to help run the counts, including the annual count in November 2019, which found 12 rough sleepers on the night.

In addition, Pathways has retained the Chair for the overarching Medway Homeless Forum which meets twice a year, as well as being instrumental in its subsidiary Task and Finish groups, chairing the Rough Sleeper and Ex-Offender Task and Finish meetings during the year.

These groups have assisted in the events around World Homeless day in 2019 and the development of a new and improved Medway services leaflet.

Pathways have also led on 2 out of the 4 rough sleeper forums in Medway and feedback from these groups has led to improved access for health care provisions for rough sleepers and those who are in services.

Blue Light Group

The Blue Light Group started as a national Alcohol Concern initiative encouraging key agencies to work together in a co-ordinated manner, to target those clients who are frequent users of the 'blue light services' and has been adopted in the Medway area. It has grown to become a multi-disciplinary group and perhaps indicative of the complex needs of those the group seeks to target.

Pathways is a proactive key member of this group and has accommodated four complex needs clients from this group.

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TRUSTEES' REPORT (INCLUDING DIRECTORS' REPORT) (CONTINUED) **FOR THE YEAR ENDED 31 MARCH 2020**

MHS nominations

Pathways continues to welcome the partnership working with our local Housing Association, MHS Homes, who allow staff to nominate clients who have completed their package of support in supported housing and who are ready for a 'starter tenancy' with them. 7 clients were housed in this reporting period and all remain in their properties.

Welfare Benefits

The rolling out of Universal Credit, although only affecting DWP payments for our clients rather than Housing Benefit, continues to cause problems regarding compliance with stringent terms for our vulnerable clients.

Our Welfare Benefits Manager continues to be very busy with advice and support and successfully challenging sanctions and unfavourable decisions.

Financial Review

Pathways ended 2019/2020 with a deficit of £63,823, before adjustments for the actuarial losses on the defined benefit pension scheme.

With the actuarial losses on defined benefit pension schemes (£283,000), the final year end position was a decrease in total funds to £1,035,777 from £1,382,600 (2019), with unrestricted funds decreased to £1,035,777 (£1,377,600: 2019).

Income

Income has increased in 2019/2020 to £1,517,624 compared to £1,461,525 (2019), mainly to the changes in the funding sources.

Most of the income continues to come from rental income and service charges, which has decreased in 2020 (£718,175) from 2019 (£994,065) as a direct cost of the property losses in KCC.

Our Housing Related Support contract income from Medway Council has remained stable at £253,124 and includes funding from the Rough Sleeper Initiative providing additional, more intensive support to a small number of clients and Maidstone including the Link project £89,558. We received a final payment from KCC of £73,992 and grant income from the RISE project of £371,128.

Expenditure

Expenditure has increased to £1,581,447 from £1,471,947 (2019). This was mainly due to staff restructuring costs and higher pension service charge for our Local Government Pension Scheme.

Housing Associations, landlords of several of our accommodation services, have continued to squeeze us via reduced allowances and charging for office spaces, meaning increased rent and service charges for us.

Unrestricted funds stand at £1,035,777 at 31 March 2020 (2019: £1,377,600). Within this fund we have designated funds of £38,545 legacy, £50,000 for major repairs, £25,000 for development (external support for organisational development and communications), £7,400 for counselling. We also have £543,753 in a general fund, £371,079 revaluation reserve.

As detailed below, we have a large pension liability on our balance sheet and require significant reserves in place to allow for that. In addition, for our sector the future funding landscape remains uncertain.

Local Government defined benefit pension liability continues to be a source of concern for the trustees. We have made an actuarial loss this year of £283,000, despite previous years actuarial gains and losses on the pension. The balance sheet liability stands at £578,000, a deterioration on 2019 where it stood at £295,000 (2018: £340,000).

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TRUSTEES' REPORT (INCLUDING DIRECTORS' REPORT) (CONTINUED) **FOR THE YEAR ENDED 31 MARCH 2020**

Pathways has no ability to influence the actuarial gains/losses or balance sheet liability and could see losses and increased liability in future.

New legislation with effect from 23rd September 2020 allows Employers (known as Deferred employer) to enter into an agreement with the administering authority to defer the obligation to make the exit payment (enter into a Deferred Debt Agreement) and continue to make contributions at the secondary rate as determined by the actuarial valuation until the termination of the deferred debt agreement. This is available to us even if the last member leaves. We will be reviewing this to put in place.

Reserves Policy and going concern

The Trustees reviewed the reserves policy in the light of the relevant guidance on the established level of reserves (those funds that are freely available) that the charity ought to have at any given time. Reserves are needed to bridge the funding gap between spending on services, as well as to cover the impact on working capital to increasing demand for its services and unforeseen budget variances. Reserves are also held to cover risks faced by Pathways to Independence, including loss of contract income.

The trustees evaluated the commitment to future expenditure against likely future income streams weighing each element according to size, probability, spread of risk and operational impact. The trustees consider that in light of the ongoing challenging financial environment the reserves target should be approximately £300k. The charity needs to maintain sufficient funds to cover any potential loss in contract income and short-term cash flow and to have approximately three months of expenditure available at all times and to cover costs in the event of the charity winding up. The unrestricted free reserves, excluding the past service pension plan, are £1,036k at 31st March 2020. This comprises of the designated fund and the property revaluation reserve.

The trustees will continue to review the reserves policy and position.

The trustees are in the process of considering options to maintain the charities continued viability and do not consider there are any material uncertainties about the charities ability to continue as a going concern for the immediate future.

Future financial challenges and plans

We face a challenging year in 2020/21. We are forecasting a draw on reserves due to our loss of funding from the RISE project.

However, we have shown resilience and the ability to create and capitalise upon opportunities, by securing ongoing funding with partners in Maidstone to June 2021. We have been successful in joining the MOJ dynamic framework to be able to bid on future accommodation contracts. We will continue this drive for exploring new markets and business models both to deliver our services and to complement them.

At the time of writing we are in the Covid-19 pandemic which has resulted in additional unbudgeted spending in keeping our clients and staff safe. This has also been an opportunity to apply for grant funding and we have been successful in being awarded a grant from The National Lottery Community Fund of £97,574 in August 20 and £7,500 from Thanet Council. These grant funds will help to offset rent losses, extra expenses incurred because of the pandemic and allow to install Wi-Fi and purchase compatible equipment in our services for the clients to use.

Plans for Future Periods

Due to the continued challenges and change that the charity faced in 2019/20, the charity continually needs to consider various business options to ensure its continued viability.

The aim is to reduce the exposure of over reliance on commissioned services and consider alternative sources of income. We have been successful in joining the MOJ Dynamic Framework and hope to be able to attract business through this source.

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TRUSTEES' REPORT (INCLUDING DIRECTORS' REPORT) (CONTINUED) **FOR THE YEAR ENDED 31 MARCH 2020**

As well as new business models, the organisation will consider 'new' client markets, where the organisational expertise of running supported accommodation services may be applied to other arenas, such as health, as the right support delivered at the right time is often a more cost effective way to prevent escalation into more costly statutory services.

We must continue to focus on the delivery of our new services (offender services in Maidstone) in securing ongoing funding, whilst continuing to deliver quality services in Medway.

Medway will be going through a re commissioning process in the 2020/21 year, with current contracts ending 31 March 2021. Pathways intends to participate fully in this process and work with our Commissioners and others to help reshape homelessness services, starting from local needs. As stated below under risks recommissioning process has not started. We are optimistic that we will continue this contract for a period.

We retain our objective of transforming the charity into working in both a psychologically and trauma informed way. To this end we will be rolling out a new suite of policies which have been externally created to support our approach and we will be continuing with staff training and client involvement on the next steps in this transformation.

Risks and uncertainties

Our Medway services will be part of a recommissioning process, with new contracts awarded to start April 2021. While this represents a great opportunity for Pathways to be involved and potentially expand our offer, it also represents a risk. At the date of this report the recommissioning process has not started, and we will be unlikely to expand our offer as the budget envelope is likely to be similar to the current offer. We are optimistic that we will continue this contract for a period.

We are delighted to have secured continued funding in Maidstone (a partnership of Maidstone , Canterbury , Medway, Tonbridge Wells, CRC and NPS) as part of Year 2 until June 2021 after which we are hoping to secure further funding through the MOJ dynamic framework agreement. These current arrangements are short term and we need to deliver well work hard and be innovative to maximise the chances of repeat or new funding.

We will be considering alternative sources of funding and business models to ensure that the charity can continue to adapt and thrive in these tumultuous times.

Structure, governance and management

Governing Document

Pathways is a charitable company limited by guarantee, governed by Articles of Association. Members of the company are Trustees named above and, in the event of the company winding up, are limited in liability to £1 per member.

The members of the Trustees, who are also the directors for the purpose of company law, and who served during the year and up to the date of signature of the financial statements were:

Mr J A Gilbourne
L E A Blake
S L Miller
P Nancoo
A C Skinner
A J Vincent
P L H Whaley
Mrs L Humphrey

(Resigned 1 May 2020)

PATHWAYS TO INDEPENDENCE LTD

TRUSTEES' REPORT (INCLUDING DIRECTORS' REPORT) (CONTINUED) **FOR THE YEAR ENDED 31 MARCH 2020**

Recruitment & Appointment of Management Committee

The Articles of Association outlines the management of the trustees by describing the election and co-option process. The trustees have agreed compliance with the NCVO Governance Code. Vacancies for trustee positions are publicised through our website and local and national media outlets.

Information is available to prospective Trustees including a job description, person specification, annual accounts, strategic plan, The Essential Guide for Trustees, equal opportunities monitoring form and an outline of the application process.

The Chair and Chief Executive review all applications and conduct any interviews. Following changes to the eligibility criteria on who can act as Trustees in 2018, all trustees sign a declaration that they are not disqualified from acting as a director/trustee.

Trustee Induction and Training

All prospective Trustees are invited to attend a board meeting, visit a number of services to meet staff and clients, meet with key management staff, attend specialised training aimed at directors/trustees and read key policy and strategic documents prior to deciding whether they wish to commit to the duties and responsibilities of being a Trustee.

Decision-making

The board of trustees meet at least quarterly to consider reports and representation from the senior management team. The Executive Director is appointed by the trustees to manage the day to day operations of the charity and implement the strategic plan. Sub-committees are formed to consider specific projects when required.

Trustees are required to disclose all relevant interests and register them with the Company Secretary and, in accordance with the charity's Conflict of Interests policy, withdraw from decisions where a conflict of interest arises.

Risk Management

The Board of Trustees has assessed the major risks to which the charity is exposed, in particular those related to the operations of the charity and its finances and is satisfied that, as far as possible, the systems are in place to mitigate exposure to the major risks.

The main risk identified are:

Loss of financial support from local authorities

- Defined benefit pension scheme liability
- Significant losses from contract delay, arrears and voids
- Data protection compliance
- Insufficient Trustees to cover all areas of work
- Impact of emergencies, flood, fire etc, business continuity
- Organisations systems and or data corrupted/extracted by Cyber attack
- Health and safety failure

Senior management review risks and take mitigating actions through an annual action plan throughout the year, reporting at least annually to the board and updating as necessary.

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TRUSTEES' REPORT (INCLUDING DIRECTORS' REPORT) (CONTINUED) **FOR THE YEAR ENDED 31 MARCH 2020**

Statement of Trustees' responsibilities

The Trustees, who are also the directors of Pathways to Independence Ltd for the purpose of company law, is responsible for preparing the Trustees' Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company Law requires the Trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charity and of the incoming resources and application of resources, including the income and expenditure, of the charitable company for that year.

In preparing these financial statements, the Trustees is required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in operation.

The Trustees is responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the charity and enable it to ensure that the financial statements comply with the Companies Act 2006. It is also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Trustees' report was approved by the Board of Trustees.

H M Campbell - Wroe

Dated: 23 December 2020

A C Skinner

Dated:23 December 2020

PATHWAYS TO INDEPENDENCE LTD

INDEPENDENT AUDITOR'S REPORT

TO THE TRUSTEES OF PATHWAYS TO INDEPENDENCE LTD

Opinion

We have audited the financial statements of Pathways to Independence Ltd (the 'charity') for the year ended 31 March 2020 which comprise the statement of financial activities, the statement of financial position, the statement of cash flows and the 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 Financial Reporting Standard 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 charitable company's affairs as at 31 March 2020 and of its incoming resources and application of resources, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the charity 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 charity's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

PATHWAYS TO INDEPENDENCE LTD

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE TRUSTEES OF PATHWAYS TO INDEPENDENCE LTD

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Charities (Accounts and Reports) Regulations 2008 require us to report to you if, in our opinion:

- the information given in the financial statements is inconsistent in any material respect with the Trustees' report; or
- sufficient accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Trustees

As explained more fully in the statement of Trustees' responsibilities, the Trustees, who are also the directors of the charity for the purpose 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 charity'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 charitable company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditor under section 144 of the Charities Act 2011 and report in accordance with the Act and relevant regulations made or having effect thereunder.

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

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

PATHWAYS TO INDEPENDENCE LTD

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE TRUSTEES OF PATHWAYS TO INDEPENDENCE LTD

Use of our report

This report is made solely to the charity's trustees, as a body, in accordance with part 4 of the Charities (Accounts and Reports) Regulations 2008. Our audit work has been undertaken so that we might state to the charity's trustees those matters we are required to state to them in an auditors' 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 charity and the charity's trustees as a body, for our audit work, for this report, or for the opinions we have formed.

S Meah FCCA (Senior Statutory Auditor)
for and on behalf of Crossley Financial Accounting Limited

29 December 2020

Chartered Accountants
Statutory Auditor

Star House
Star Hill
Rochester
Kent

Crossley Financial Accounting Limited is eligible for appointment as auditor of the charity by virtue of its eligibility for appointment as auditor of a company under of section 1212 of the Companies Act 2006.

PATHWAYS TO INDEPENDENCE LTD

STATEMENT OF FINANCIAL ACTIVITIES INCLUDING INCOME AND EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2020

		Unrestricted funds 2020 £	Restricted funds 2020 £	Total 2020 £	Unrestricted funds 2019 £	Restricted funds 2019 £	Total 2019 £
	Notes						
Income from:							
Donations and legacies	3	6,363	-	6,363	3,321	-	3,321
Charitable activities	4	1,509,318	-	1,509,318	1,456,793	-	1,456,793
Investments	5	1,943	-	1,943	1,411	-	1,411
Total income		1,517,624	-	1,517,624	1,461,525	-	1,461,525
Expenditure on:							
Charitable activities	6	1,576,447	5,000	1,581,447	1,466,544	4,953	1,471,497
Gross transfers between funds		-	-	-	(6,502)	6,502	-
Net outgoing resources		(58,823)	(5,000)	(63,823)	(11,521)	1,549	(9,972)
Other recognised gains and losses							
Revaluation of tangible fixed assets		-	-	-	58,043	-	58,043
Actuarial (loss)/gain on defined benefit pension schemes		(283,000)	-	(283,000)	59,000	-	59,000
Net movement in funds		(341,823)	(5,000)	(346,823)	105,522	1,549	107,071
Fund balances at 1 April 2019		1,377,600	5,000	1,382,600	1,272,078	3,451	1,275,529
Fund balances at 31 March 2020		1,035,777	-	1,035,777	1,377,600	5,000	1,382,600

The statement of financial activities includes all gains and losses recognised in the year.

All income and expenditure derive from continuing activities.

The statement of financial activities also complies with the requirements for an income and expenditure account under the Companies Act 2006.

PATHWAYS TO INDEPENDENCE LTD

STATEMENT OF FINANCIAL ACTIVITIES (CONTINUED) INCLUDING INCOME AND EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2020

	Notes	2020 £	£	2019 £	£
Fixed assets					
Tangible assets	10		1,304,927		1,249,770
Current assets					
Debtors	11	210,602		148,741	
Cash at bank and in hand		359,536		531,981	
		<u>570,138</u>		<u>680,722</u>	
Creditors: amounts falling due within one year	13	<u>(161,128)</u>		<u>(129,023)</u>	
Net current assets			409,010		551,699
Total assets less current liabilities			1,713,937		1,801,469
Creditors: amounts falling due after more than one year	14		(100,160)		(123,869)
Provisions for liabilities			(578,000)		(295,000)
Net assets			<u>1,035,777</u>		<u>1,382,600</u>

PATHWAYS TO INDEPENDENCE LTD

STATEMENT OF FINANCIAL ACTIVITIES (CONTINUED) INCLUDING INCOME AND EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2020

	Notes	2020 £	£	2019 £	£
Income funds					
Restricted funds	16		-		5,000
<u>Unrestricted funds</u>					
Designated funds	17	120,945		120,675	
General unrestricted funds		543,753		885,846	
Revaluation reserve		371,079		371,079	
			1,035,777		1,377,600
			1,035,777		1,382,600

The company is entitled to the exemption from the audit requirement contained in section 477 of the Companies Act 2006, for the year ended 31 March 2020, although an audit has been carried out under section 144 of the Charities Act 2011.

The Trustees acknowledge their responsibilities for ensuring that the charity keeps accounting records which comply with section 386 of the Act and for preparing financial statements which give a true and fair view of the state of affairs of the company as at the end of the financial year and of its incoming resources and application of resources, including its income and expenditure, for the financial year in accordance with the requirements of sections 394 and 395 and which otherwise comply with the requirements of the Companies Act 2006 relating to financial statements, so far as applicable to the company.

The members have not required the company to obtain an audit of its financial statements under the requirements of the Companies Act 2006, for the year in question in accordance with section 476.

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

The financial statements were approved by the Trustees on 23 December 2020

Mr J A Gilbourne
Trustee

A C Skinner
Trustee

Company Registration No. 01859070

PATHWAYS TO INDEPENDENCE LTD

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2020

	Notes	2020 £	£	2019 £	£
Cash flows from operating activities					
Cash (absorbed by)/generated from operations	20		(37,431)		40,022
Investing activities					
Purchase of tangible fixed assets		(118,353)		(52,228)	
Proceeds on disposal of tangible fixed assets		4,138		-	
Interest received		1,943		1,411	
Net cash used in investing activities			(112,272)		(50,817)
Financing activities					
Repayment of bank loans		(12,104)		(11,539)	
Payment of obligations under finance leases		(10,481)		(9,444)	
Net cash used in financing activities			(22,585)		(20,983)
Net decrease in cash and cash equivalents			(172,288)		(31,778)
Cash and cash equivalents at beginning of year			531,981		563,761
Cash and cash equivalents at end of year			359,536		531,981

PATHWAYS TO INDEPENDENCE LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

1 Accounting policies

Charity information

Pathways to Independence Ltd is a private company limited by guarantee incorporated in England and Wales. The registered office is 25 Victoria Street, Rochester, Kent, ME1 1XJ.

1.1 Accounting convention

The financial statements have been prepared in accordance with the charity's governing document, the Companies Act 2006 and "Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2019)". The charity is a Public Benefit Entity as defined by FRS 102.

The financial statements are prepared in sterling, which is the functional currency of the charity. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

1.2 Charitable funds

Unrestricted funds are available for use at the discretion of the Trustees in furtherance of their charitable objectives.

Designated funds comprise funds which have been set aside at the discretion of the Trustees for specific purposes. The purposes and uses of the designated funds are set out in the notes to the financial statements.

Restricted funds are subject to specific conditions by donors as to how they may be used. The purposes and uses of the restricted funds are set out in the notes to the financial statements.

1.3 Income

Income is recognised when the charity is legally entitled to it after any performance conditions have been met, the amounts can be measured reliably, and it is probable that income will be received.

Cash donations are recognised on receipt. Other donations are recognised once the charity has been notified of the donation, unless performance conditions require deferral of the amount. Income tax recoverable in relation to donations received under Gift Aid or deeds of covenant is recognised at the time of the donation.

Legacies are recognised on receipt or otherwise if the charity has been notified of an impending distribution, the amount is known, and receipt is expected. If the amount is not known, the legacy is treated as a contingent asset.

PATHWAYS TO INDEPENDENCE LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

1 Accounting policies

(Continued)

1.4 Expenditure

Expenditure is recognised once there is a legal or constructive obligation to transfer economic benefit to a third party, it is probable that a transfer of economic benefits will be required in settlement and the amount of the obligation can be measured reliably. Expenditure is classified by activity. The costs of each activity are made up of the total of direct costs and shared costs, including support costs involved in undertaking each activity. Direct costs attributable to a single activity are allocated directly to that activity. Shared costs which contribute to more than one activity and support costs which are not attributable to a single activity are apportioned between those activities on a basis consistent with the use of resources. Central staff costs are allocated on the basis of time spent, and depreciation charges allocated on the portion of the asset's use.

Fundraising costs are those incurred in seeking voluntary contributions and do not include the costs of disseminating information in support of the charitable activities. Support costs are those costs incurred directly in support of expenditure on the objects of the company and include project management carried out at Headquarters. Governance costs are those incurred in connection with administration of the company and compliance with constitutional and statutory requirements.

Charitable activities and Governance costs are costs incurred on the company's operations, including support costs and costs relating to the governance of the company apportioned to charitable activities.

All expenditure is inclusive of irrecoverable VAT

1.5 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

All assets costing more than £250 are capitalised.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Freehold property	50 years straight line
Leasehold property	100/50 years straight line
Office equipment	3 years straight line
Other fixed assets	3 years straight line
Fixtures and fittings	3 years straight line
Motor vehicles	5 years stright line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in net income/(expenditure) for the year.

Properties whose fair value can be measured reliably are held under the revaluation model and are carried at a revalued amount, being their fair value at the date of valuation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The fair value of the land and buildings is usually considered to be their market value.

Revaluation gains and losses are recognised in other recognised gains and losses and accumulated in equity, except to the extent that a revaluation gain reverses a revaluation loss previously recognised in net income/(expenditure) or a revaluation loss exceeds the accumulated revaluation gains recognised in equity; such gains and loss are recognised in net income/(expenditure) for the year.

PATHWAYS TO INDEPENDENCE LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

1 Accounting policies

(Continued)

1.6 Financial instruments

The charity has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the charity's balance sheet when the charity becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Basic financial liabilities

Basic financial liabilities, including creditors and bank loans are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of operations from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

Financial liabilities are derecognised when the charity's contractual obligations expire or are discharged or cancelled.

1.7 Provisions

Provisions are recognised when the charity has a legal or constructive present obligation as a result of a past event, it is probable that the charity will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation. Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value, the unwinding of the discount is recognised as a finance cost in net income/(expenditure) in the period in which it arises.

PATHWAYS TO INDEPENDENCE LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

1 Accounting policies

(Continued)

1.8 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

The cost of providing benefits under defined benefit plans is determined separately for each plan using the projected unit credit method, and is based on actuarial advice.

The change in the net defined benefit liability arising from employee service during the year is recognised as an employee cost. The cost of plan introductions, benefit changes, settlements and curtailments are recognised as incurred.

1.9 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the statement of financial position as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to net income/(expenditure) for the year so as to produce a constant periodic rate of interest on the remaining balance of the liability.

PATHWAYS TO INDEPENDENCE LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) **FOR THE YEAR ENDED 31 MARCH 2020**

2 Critical accounting estimates and judgements

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

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

Critical judgements

Judgements

Critical judgements, apart from those involving estimations that are applied in the preparation of the financial statements are discussed below;

Leases

Management exercises judgement in determining the classification of leases as finance or operating leases at the inception of the lease. Management considers the likelihood of exercising the break clauses or extension options in determine the lease term. Where the lease term constitutes substantially all the economic life of the asset, or where the present value of minimum lease payments amount to substantially all of the fair value of the property, the lease is classified as a finance lease. All other leases are classified as operating leases.

Land and buildings

Management exercise judgement over the split of property owned between land and buildings. This effects the calculation of depreciation each year and the carrying value of property.

Estimates

The key assumptions about the future and other key sources of estimation uncertainty at the reporting period end that may have a significant risk of causing material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below;

Management estimate the value of debts that are not recoverable based on knowledge of the clients and the probability of recovery.

PATHWAYS TO INDEPENDENCE LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

2 Critical accounting estimates and judgements

(Continued)

Costs

Accounting for pension costs involves judgement about uncertain events, including estimated retirement dates, mortality rates, the determination of discount rates for measuring scheme obligations and net interest expense and assumptions for inflation rates.

These assumptions are based on the environment and they may vary from year to year, which would affect the future net income and assets, as will any differences between the assumptions applied and the actual outcome.

Retirement benefit assumptions are based on an actuarial valuation which is performed each year by an independent expert. These assumptions are used to determine the projected benefit obligation at the year end and hence the deficit recorded on the company's balance sheet, and pension expenses for the following year.

The assumptions used are provided in note 15.

The discount rate and inflation rate have a significant effect on the amounts reported.

3 Donations and legacies

	Unrestricted funds	Unrestricted funds
	2020	2019
	£	£
Donations and gifts	6,363	3,321

4 Charitable activities

	Unrestricted funds	Unrestricted funds
	2020	2019
	£	£
SSTS grant	371,128	-
Housing related Support - KCC	73,992	208,152
Housing Related Support -Medway	253,124	242,578
Other	3,341	11,998
Service Charges	19,623	33,144
Rental Income	698,552	960,921
Maidstone commission contract	89,558	-
	1,509,318	1,456,793

PATHWAYS TO INDEPENDENCE LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

5 Investments

	Unrestricted funds	Unrestricted funds
	2020	2019
	£	£
Bank interest receivable	1,943	1,411
	<u> </u>	<u> </u>

PATHWAYS TO INDEPENDENCE LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

6 Charitable activities

	Provision of accommodation and welfare 2020 £	Education and welfare 2020 £	Total 2020 £	Provision of accommodation and welfare 2019 £	Education and welfare 2019 £	Total 2019 £
Wages and salaries	508,323	-	508,323	455,915	-	455,915
National insurance	46,712	-	46,712	39,404	-	39,404
Pension costs	28,461	-	28,461	34,733	-	34,733
Security staff costs	123,023	-	123,023	-	-	-
Staff costs	116	-	116	32,156	-	32,156
Volunteer expenses	749	-	749	1,695	-	1,695
Net interest expense	1,000	-	1,000	9,003	-	9,003
Travel	11,550	-	11,550	10,411	-	10,411
Premises	383,786	-	383,786	404,343	-	404,343
Residents welfare	9,817	5,000	14,817	4,125	4,621	8,746
Legal and professional	14,255	-	14,255	5,350	-	5,350
Bad debts & recoverables	240	-	240	21,083	-	21,083
Move in fund	7,869	-	7,869	-	27	27
Client expenses	3,427	-	3,427	-	305	305
	1,139,328	5,000	1,144,328	1,018,218	4,953	1,023,171
Share of support costs (see note 7)	437,119	-	437,119	448,326	-	448,326
	1,576,447	5,000	1,581,447	1,466,544	4,953	1,471,497

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2020

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PATHWAYS TO INDEPENDENCE LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

7 Support costs

	Support costs £	Governance costs £	2020 £	Support costs £	Governance costs £	2019 £
Staff costs	126,609	-	126,609	187,472	17,241	204,713
Recruitment	13,135	-	13,135	554	-	554
Training	21,017	-	21,017	22,022	-	22,022
Depreciation	59,058	-	59,058	49,351	-	49,351
Travel	2,004	-	2,004	1,866	-	1,866
Training	21,017	-	21,017	22,022	-	22,022
Other office costs	112,124	-	112,124	115,302	-	115,302
Legal and professional	77,154	-	77,154	30,645	-	30,645
Insurance	8,636	-	8,636	8,650	-	8,650
Mortgage and lease interest	8,460	-	8,460	10,033	-	10,033
Profit or loss on disposal of fixed assets	3,576	-	3,576	-	-	-
Audit fees	-	5,346	5,346	-	5,190	5,190
	<u>431,773</u>	<u>5,346</u>	<u>437,119</u>	<u>425,895</u>	<u>22,431</u>	<u>448,326</u>
Analysed between Charitable activities	<u>431,773</u>	<u>5,346</u>	<u>437,119</u>	<u>425,895</u>	<u>22,431</u>	<u>448,326</u>

8 Trustees

None of the Trustees (or any persons connected with them) received any remuneration or benefits from the charity during the year.

PATHWAYS TO INDEPENDENCE LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

9 Employees

Number of employees

The average monthly number of employees during the year was:

	2020 Number	2019 Number
Project support	16	18
Administration and management	7	5
	<u>23</u>	<u>23</u>

Employment costs

	2020 £	2019 £
Wages and salaries	622,271	634,124
Social security costs	55,359	56,509
Other pension costs	32,475	44,132
	<u>710,105</u>	<u>734,765</u>

The total employee benefits of the key management personnel of the Charity were £112,464 (2019 - £155,000).

The number of employees whose annual remuneration was £60,000 or more were:

	2020 Number	2019 Number
In the band £60,001 - £70,000	-	1

PATHWAYS TO INDEPENDENCE LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

10	Tangible fixed assets	Freehold property £	Leasehold property £	Fixtures and fittings £	Office equipment £	Motor vehicles £	Other fixed assets £	Total £
	Cost or valuation							
	At 1 April 2019	1,025,000	162,465	24,430	109,642	1,150	108,646	1,431,333
	Additions	63,354	7,887	10,997	2,935	12,100	21,080	118,353
	Disposals	(462)	-	(1,359)	-	(1,150)	(13,595)	(16,566)
	At 31 March 2020	1,087,892	170,352	34,068	112,577	12,100	116,131	1,533,120
	Depreciation and impairment							
	At 1 April 2019	-	11,457	16,430	77,097	-	76,579	181,563
	Depreciation charged in the year	14,848	2,538	7,159	19,881	1,008	13,624	59,058
	Eliminated in respect of disposals	-	-	(1,084)	-	-	(11,344)	(12,428)
	At 31 March 2020	14,848	13,995	22,505	96,978	1,008	78,859	228,193
	Carrying amount							
	At 31 March 2020	1,073,044	156,357	11,563	15,599	11,092	37,272	1,304,927
	At 31 March 2019	1,025,000	151,008	8,000	32,545	1,150	32,067	1,249,770

PATHWAYS TO INDEPENDENCE LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

10 Tangible fixed assets

(Continued)

The net carrying value of tangible fixed assets includes the following in respect of assets held under finance leases or hire purchase contracts. The depreciation charge in respect of such assets amounted to £13,250 (2019 - £13,250) for the year.

	2020 £	2019 £
Office equipment	11,041	24,291

Land and buildings with a carrying amount of £1,073,044 were revalued by Linda Matthews Co Ltd and Miles & Barr Ltd, independent valuers not connected with the charity on the basis of market value. The valuation conforms to International Valuation Standards and was based on recent market transactions on arm's length terms for similar properties.

At 31 March 2020, had the revalued assets been carried at historic cost less accumulated depreciation and accumulated impairment losses, their carrying amount would have been approximately £688,103 (2019 - £639,597).

11 Debtors

	2020 £	2019 £
Amounts falling due within one year:		
Trade debtors	55,228	98,766
Other debtors	1,201	1,164
Prepayments and accrued income	154,173	48,811
	210,602	148,741

12 Loans and overdrafts

	2020 £	2019 £
Mortgage	89,084	101,188
Payable within one year	11,729	11,729
Payable after one year	77,355	89,459

The bank loan is secured by way of a first legal charge over a freehold property owned by the Charity.

PATHWAYS TO INDEPENDENCE LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

13 Creditors: amounts falling due within one year

	Notes	2020 £	2019 £
Mortgage	12	11,729	11,729
Obligations under finance leases		11,346	10,222
Other taxation and social security		19,343	13,363
Trade creditors		61,066	49,946
Other creditors		10,724	8,855
Accruals		46,920	34,908
		<u>161,128</u>	<u>129,023</u>

14 Creditors: amounts falling due after more than one year

	Notes	2020 £	2019 £
Mortgage	12	77,355	89,459
Obligations under finance leases		22,805	34,410
		<u>100,160</u>	<u>123,869</u>

Obligations under finance leases and hire purchase contracts, included above are secured over the assets financed.

15 Retirement benefit schemes

Defined contribution schemes

The charity operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the charity in an independently administered fund.

PATHWAYS TO INDEPENDENCE LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

15 Retirement benefit schemes

(Continued)

Defined benefit schemes

The charity operates a pension scheme providing benefits based on final pensionable pay for 1 employees and 10 ex employees. The assets of the scheme are held separately from those of the charity, being invested in an independently administered fund. The charity is an employing body within the Kent County Council Pension Fund which itself is part of the Local Government Pension Scheme. The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. The most recent valuation was at 31 March 2020.

The independent actuary also prepares an annual valuation specific to the Charity for the sole purpose of accounting and reporting details of the Fund under the provisions of Financial Reporting Standard (FRS102) and the details that follow are drawn from that report for the year ended 31 March 2020. The accounts are prepared under the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2019). It should be noted that the figures presented are only for the purposes of FRS 102 and have no validity in other circumstances. In particular, they are not relevant for calculation undertaken for funding purposes or for other statutory purposes under UK legislation.

The pension charge for the year was £14,350 (2019 - £12,000) and is shown under pension costs; defined benefit, in Note 9. The contributions of the company for the year were 19.50% and employees are 6.8% and 6.5%.

The defined benefit scheme is now closed to new members and so under the projected unit method the current service cost would be expected to increase over time as members of the scheme approach retirement.

Other information

Principal actuarial assumptions at the Balance sheet date (expressed as weighted averages):

Key assumptions

	2020 %	2019 %
Discount rate	2.35%	2.40%
Expected rate of increase of pensions in payment	2.00%	2.40%
Expected rate of salary increases	3.00%	3.90%
	=====	=====

Mortality assumptions

The assumed life expectations on retirement at age 65 are:

	2020 Years	2019 Years
Retiring today		
- Males	21.8	22
- Females	23.7	24
	=====	=====
Retiring in 20 years		
- Males	23.2	23.7
- Females	25.2	25.8
	=====	=====

PATHWAYS TO INDEPENDENCE LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

15 Retirement benefit schemes

(Continued)

Amounts recognised in the income statement:

	2020 £	2019 £
Current service cost	14,000	23,000
Net interest on defined benefit liability/(asset)	8,000	9,000
Other costs and income	71,000	-
Total costs	93,000	32,000

Amounts taken to other comprehensive income:

	2020 £	2019 £
Actual return on scheme assets	76,000	(74,000)
Less: calculated interest element	25,000	24,000
Return on scheme assets excluding interest income	101,000	(50,000)
Actuarial changes related to obligations	104,000	(9,000)
Other gains and losses	(1,000)	-
Total costs/(income)	204,000	(59,000)

The amounts included in the statement of financial position arising from the charity's obligations in respect of defined benefit plans are as follows:

	2020 £	2019 £
Present value of defined benefit obligations	1,515,000	1,324,000
Fair value of plan assets	(937,000)	(1,029,000)
Deficit in scheme	578,000	295,000

PATHWAYS TO INDEPENDENCE LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

15 Retirement benefit schemes

(Continued)

Movements in the present value of defined benefit obligations:

	2020 £
Liabilities at 1 April 2019	1,324,000
Current service cost	14,000
Past service cost	70,000
Benefits paid	(32,000)
Contributions from scheme members	2,000
Actuarial gains and losses	104,000
Interest cost	33,000
	<hr/>
At 31 March 2020	1,515,000
	<hr/> <hr/>

The defined benefit obligations arise from plans which are wholly or partly funded.

Movements in the fair value of plan assets:

	2020 £
Fair value of assets at 1 April 2019	1,029,000
Interest income	25,000
Return on plan assets (excluding amounts included in net interest)	(101,000)
Benefits paid	(32,000)
Contributions by the employer	14,000
Contributions by scheme members	2,000
	<hr/>
At 31 March 2020	937,000
	<hr/> <hr/>

The fair value of plan assets at the reporting period end was as follows:

	2020 £	2019 £
Equity instruments	577,000	705,000
Debt instruments	233,000	200,000
Property	127,000	124,000
	<hr/>	<hr/>
	937,000	1,029,000
	<hr/> <hr/>	<hr/> <hr/>

PATHWAYS TO INDEPENDENCE LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

16 Restricted funds

The income funds of the charity include restricted funds comprising the following unexpended balances of donations and grants held on trust for specific purposes:

	Movement in funds					Balance at 31 March 2020
	Balance at 1 April 2018	Resources expended	Transfers	Balance at 1 April 2019	Resources expended	
	£	£	£	£	£	£
Education and welfare	3,451	(4,953)	6,502	5,000	(5,000)	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Restricted funds: Education and Welfare

This fund was initially provided by various charitable trusts to enable Pathways to fund small amounts of expenditure to further clients' education and training or small discretionary welfare payments. The restricted fund has now been fully expended and the legacy received as part of the designated funds we will continue to support the education and welfare of our clients .

PATHWAYS TO INDEPENDENCE LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

17 Designated funds

The income funds of the charity include the following designated funds which have been set aside out of unrestricted funds by the trustees for specific purposes:

	Balance at 1 April 2018 £	Movement in funds				Balance at 1 April 2019 £	Resources expended £	Transfers £	Resources expended £	Transfers £	Balance at 31 March 2020 £
		Incoming resources £	Resources expended £	Transfers £	Transfers £						
Development fund	11,000	-	(4,957)	18,957		25,000	(30,409)	30,409	(30,409)	30,409	25,000
Major repairs sinking fund	50,000	-	(43,996)	43,996		50,000	(30,924)	30,924	(30,924)	30,924	50,000
Counseling	7,400	-	(3,965)	3,695		7,400	(2,085)	2,085	(2,085)	2,085	7,400
Legacy	50,000	-	(4,953)	(6,502)		38,545	-	-	-	-	38,545
	118,400	-	(57,871)	60,146		120,945	(63,418)	63,418	(63,418)	63,418	120,945

PATHWAYS TO INDEPENDENCE LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

17 Designated funds

(Continued)

Designated fund: Development fund

Trustees agree to hold a designated development fund to finance developments within the business plan in terms of the structure and resources of the organisation and any increase or change in services provided. In 2019/20 we incurred costs to cover external support on organisational development (including all client policies being reviewed), to help embed our Trauma Informed and Psychologically Informed Environment approach. Funds were also expended on a pension (defined benefit pension liability) and strategy review. We hope it will also help us to adapt to survive in the changing funding environment and improve our service provision for clients. Funds are again put aside as part of developing business needs.

Designated fund: Major repair sinking fund

This fund is used for major works and decoration required at our properties. We have some works planned and will assess need across other services during 2020/21.

Designated fund: Counselling

Development of added value services for clients such as counselling, anger management support, restorative justice and life and work-related skills. In 2020/21 we are continuing our counselling service.

Designated fund: Legacy

We received a very welcome but unexpected legacy of £50,000 in December 2017. We were given a name, but no other details as regards the donor. The trustees agreed that the funds be used for the direct benefit of clients, towards client related services, such as Education and Welfare. This might be for short courses, study or work equipment, travel to see relatives or basic toiletries or clothes.

PATHWAYS TO INDEPENDENCE LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

17 Designated funds

(Continued)

General funds: all funds

At all times, free unrestricted or undesignated reserves are held sufficient to meet a minimum of three months' operational costs, based on previous expenditure. This fund also contains the actuarial losses/gains from our defined benefit pension scheme: this does not cover our full balance sheet liability but ring fences gains made, as we may well experience losses in the future.

General Funds: Revaluation reserve

This fund is a result of the gains on revaluation of our two owned properties in Chatham and Ramsgate in 2015/16 and 2018/19, adjusted for depreciation.

PATHWAYS TO INDEPENDENCE LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

18 Analysis of net assets between funds

	Unrestricted funds 2020 £	Restricted funds 2020 £	Total 2020 £	Unrestricted funds 2019 £	Restricted funds 2019 £	Total 2019 £
Fund balances at 31 March 2020 are represented by:						
Tangible assets	1,304,927	-	1,304,927	1,249,770	-	1,249,770
Current assets/ (liabilities)	404,010	5,000	409,010	546,699	5,000	551,699
Long term liabilities	(100,160)	-	(100,160)	(123,869)	-	(123,869)
Provisions and pensions	(578,000)	-	(578,000)	(295,000)	-	(295,000)
	<u>1,030,777</u>	<u>5,000</u>	<u>1,035,777</u>	<u>1,377,600</u>	<u>5,000</u>	<u>1,382,600</u>

19 Operating lease commitments

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

	2020 £	2019 £
Within one year	91,023	77,827
Between two and five years	140,642	210,515
In over five years	51,750	57,500
	<u>283,415</u>	<u>345,842</u>

20 Cash generated from operations

	2020 £	2019 £
(Deficit)/surplus for the year	(63,823)	(9,972)
Adjustments for:		
Investment income recognised in statement of financial activities	(1,943)	(1,411)
Depreciation and impairment of tangible fixed assets	59,058	49,351
Difference between pension charge and cash contributions	-	14,000
Movements in working capital:		
(Increase) in debtors	(61,704)	(23,453)
Increase in creditors	30,981	11,507
Cash (absorbed by)/generated from operations	<u>(37,431)</u>	<u>40,022</u>

PATHWAYS TO INDEPENDENCE LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

21 Analysis of changes in net funds

	At 1 April 2019 £	Cash flows £	At 31 March 2020 £
Cash at bank and in hand	531,981	(172,445)	359,536
Loans falling due within one year	(11,729)	-	(11,729)
Loans falling due after more than one year	(89,459)	12,104	(77,355)
Obligations under finance leases	(44,632)	10,481	(34,151)
	<u>386,161</u>	<u>(149,860)</u>	<u>236,301</u>