

Company Number: 01829004
HCA Registration: 4688
Registered Charity Number: 515517

FOUNDATION
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 MARCH 2019

FOUNDATION

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FOUNDATION

COMPANY INFORMATION

Board

Chair Claire Villarrubí

Other Trustees:

David Powell
Philip Turnpenny: Chair of Operations & Development Committee
Julia Bates: Vice-Chair of Resources Committee (Resigned 28/02/19)
Peter Johnston (Resigned 12/09/18)
Richard Parry
Mark Simpson: Vice-Chair of Operations & Development Committee (Resigned 01/04/19)
Patricia Taylor (Resigned 24/03/19)
Christopher Welch
Cielo Cartwright: Chair of Resources Committee (Appointed 15/02/19)
Cornelle Parker (Appointed 15/02/19)
Damian Pocknell (Appointed 15/02/19)
David Strachan (Appointed 15/02/19)
Lisa Bradley (Appointed 28/06/19)

Executive Officers

Operations Director
Development Director
Chief Executive
Finance and Corporate Services

Viki Whelan
Paul Hardman (Resigned 12/4/2019)
Maggie Jones (Resigned 12/11/18)
Caroline Watson

Company Secretary & Registered Office

Ruth Kettle
3 Limewood Way
Seacroft
Leeds
West Yorkshire
LS14 1AB

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

FOUNDATION

COMPANY INFORMATION

Solicitors

Wrigleys
19 Cookridge Street
Leeds
LS2 3AG

Claire Murphy Legal
Fairfax House
38 The Grove
Ilkley
LS29 9EE

Bankers

Santander
Bridle Road
Bootle
Merseyside
L30 4GB

FOUNDATION

REPORT OF THE BOARD OF TRUSTEES INCLUDING STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2019

The Board presents its report and the audited financial statements of Foundation ("the Company") for the year ended 31 March 2019.

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 Company is governed under its Memorandum and Articles of Association, revised and approved by the Charity Commission and subsequently adopted by the Charity on 8 November 2005. The charitable objects are set out in Article 3 of the Memorandum of Association and remained unchanged throughout the year.

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.

Change of Ownership

Foundation Trustees ratified the merger with Community Links (Northern) Limited on 17 October 2018. This was achieved through the formation of a group structure, the parent company (and registered charity) being Inspire North. Inspire North is now the sole member of Foundation.

The governance structure has been constructed to keep some Trustees purely on the Foundation board to protect its assets and to oversee the delivery of its charitable objectives.

The head offices of Foundation and Community Links (Northern) Limited have been combined and all head office staff TUPE'd into Inspire North between 18 October 2018 and 1 December 2018. Inspire North provides Senior Leadership and Professional Services to Foundation.

Business review

Details of the Company's performance for the year and future plans are set out in the following sections of this report.

FOUNDATION

REPORT OF THE BOARD OF TRUSTEES INCLUDING STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

Housing property assets

Details of changes to the Company'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 Company stood at a deficit of £1,572k (£262k surplus at 31 March 2018). The change in accounting treatment for the Social Housing Pension Scheme resulted in an actuarial loss of £909k and the first-time adoption impact of £1,030k resulting in the balance sheet returning to negative territory. Because of this it is unlikely that the reserves objective will be met in the short term.

Donations and Sponsorship

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

Payment of creditors

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

Financial instruments

The Company's approach to risk management is set out on page 11 of this report.

Merger

The merger with Community Links (Northern) Limited was ratified on 17 October 2018.

The boards of both organisations believe that collaboration is key to our bold ambition to safeguard a sustainable future and increase the impact of the services we provide for those we exist to support.

By coming together, our organisations can increase effectiveness and provide a wealth of expertise, innovation and high quality support, mental health and housing services.

Foundation and Community Links share a history of working together towards a common purpose. The visions and values of the organisations are aligned and in an era of increasing competition it is clear that we are the right partners for each other and that now is the right time as there is a compelling case that we will be stronger together. By together bringing the strength of both organisations and the expertise and talent of our workforces, we can develop supported housing and mental health support services which are of the highest quality. Trustees believe that the merger enables us to offer a brighter future to the people we support.

The group structure allows Foundation to maintain its own identity and continue to deliver its frontline services. The creation of a parent company affords the opportunity to create a more comprehensive infrastructure with faster response times.

FOUNDATION

REPORT OF THE BOARD OF TRUSTEES INCLUDING STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

Employees

Foundation's staff are its primary asset and although 2018/19 has been a year of significant change with the merger, investment in skills and active participation has continued throughout.

- The new Leadership Forum established in 2018 has been combined with the equivalent group in Community Links (Northern) Limited. The Forum meets quarterly and has a programme of training and development based around the concept of transformational leadership and innovative ways of working. By bringing the two groups together staff are able to share best practice and are developing common approaches and consistent policies for the whole group. All leaders in Foundation received external leadership development training. Regular training in the decent homes standard, safeguarding and fire safety has continued throughout the year.
- 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
- Foundation is now a Living Wage Employer.
- The whole Inspire North group is now an accredited Leader in Diversity employer

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

Health and safety

Foundation has a moral and legal responsibility to ensure, so far as is reasonably practicable, that it provides for the health, safety and welfare of its employees, customers and anyone coming into contact with its business activity who may be affected by the way in which it carries out its work. Foundation attaches the greatest importance to Health and Safety matters which are part of each employee's induction and e-learning and prioritises compliance with current legislation. Foundation's Health and Safety Manager is supported by a network of volunteer Health and Safety Champions across all offices.

The Company remains committed to the provision and maintenance of:

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

Trustees and Executive Officers

The current Board of Trustees and Executive Officers are set out on page 1. Foundation's Board (at 31 March 2019) comprises 9 Trustees with a range of relevant skills and experience. Individually and collectively they exercise independent and objective judgement. All non-customer trustees serve on one sub-committee, either 1) Resources; chaired by the Treasurer and 2) Operations and Development: chaired by the Clinical Governance Lead.

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 last 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.

FOUNDATION

REPORT OF THE BOARD OF TRUSTEES INCLUDING STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

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

Day to day management responsibilities are delegated by the Board to the Senior Management Team under the direction of the Chief Executive. The Chief Executive is appraised annually by the Chair of the Board. 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- late 2019. 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. A new strategic plan is currently being developed for the Inspire North group of companies.

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 Company 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 Inspire North is currently considering the best ways to involve customers at Board level. Board meetings are now combined and it is anticipated that customers will be involved from a variety of services across the group.

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

Service contracts

All executive officers TUPE'd to Inspire North where they remain employed on the same terms and conditions as other staff.

FOUNDATION

REPORT OF THE BOARD OF TRUSTEES INCLUDING STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

Pensions

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

Governance

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

Achievements and Performance

During 2018/19 Foundation worked with 2,003 individual customers to assist them in achieving their goals for a better life.

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

- 165 customers gained new settled accommodation.
- 189 customers maximised their income.
- 87 customers managed their debts better.
- 20 customers secured paid work.
- 42 customers took up education and training.
- 208 customers managed their mental health better.
- 99 customers were supported to improve the management of their substance misuse.
- 101 customers complied fully with their statutory court orders.
- 256 customers were helped to stay safe.
- 115 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:

- 82% of our customers left the service registered with a dentist.
- 97.9% of our customers left the service registered with a GP.
- 25.6 of our customers left the service currently involved in a club, society or other community activity.
- 96.8% of our customers left the service with a bank or post office account.
- 88.8% of our customers left the service with regular access to the Internet.
- 59.5% of our customers left the service registered to vote.
- 36% of our customers left the service using a local library.
- 16% of our customers left the service in paid work.
- 15.66% of our customers who left the service were participating in accredited training or education.

Additional outcomes scores at exit:

- 43.3% of our customers who left the service had undertaken some type of informal learning within the last six months.
- 17% 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).
- 12.7% 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).

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REPORT OF THE BOARD OF TRUSTEES INCLUDING STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

Accommodation:

- 74% of our customers had a planned move on from our support and accommodation.

Foundation Performance against targets for 2018/19

An Interim Plan was developed to create a bridge between Foundation's previous three year Strategic Plan and the next which will now begin post merger from April 2019. This enabled us to focus on a few key areas for the financial year 2018/19, complete outstanding priorities and spend time planning for the future with staff and customers. The Plan facilitated a time of taking stock and preparing us all for a positive future where we are clearer about our achievements, better at valuing our people and all play an active part in developing our organisation.

At the end of this year we aimed to be

- ❖ **BETTER:** with colleagues and customers enhancing their skills and feeling confident about the future
- ❖ **BIGGER;** having grown in both the amount and type of funding we win and the services we can offer to customers
- ❖ **BRAVER;** pushing the boat out on enterprise, trying new ways to empower customers and being bolder in our ambitions for diversification.

Critical Success Factors

- ✓ **Supporting and developing our people:** We want to create a great place to work with happy, confident, skilled staff at the leading edge of practice and customers confident about their independence journey, playing an active part in running Foundation and supporting each other.
- ✓ **Building our organisation:** Our organisational structures, tools and processes should provide maximum support to our people while making minimum demands, with groups which add value, create meaningful opportunities for people to contribute and are as cost effective as possible
- ✓ **Growth and sustainability:** By the end of this financial year we want to make real progress in diversifying our income from grants and non-local government sources. Our enterprise activities will be on a firm footing and we can meet pension deficit requirements without drawing on reserves.
- ✓ **Proving our worth:** We want many more people to hear about Foundation and the great achievements of customers and staff. We want to convince people about our success through clear messages about the outcomes and impact of our work based on evidence collected from staff and customers.

Results

A learning and development strategy was created which promoted and embedded a culture of independent learning. Internal groups were reviewed and restructured to provide more meaningful support to staff while at the same time economising on travel and time commitments.

The visibility of the senior leadership team was improved through the development of a programme of regular visits to operations teams.

Further HR targets were met through the identification and purchase of an online based recruiting system with the appropriate training for recruiting managers.

The target to diversifying our income streams was met through the merger with Community Links (Northern) in addition to some small new contracts being gained during the year including some grant income. Our social enterprise has grown to over thirty properties and its activity will be externally reviewed in 2019 to enable us to maximise performance.

Our external communications profile was raised particularly through a campaign around Domestic Violence and the communications surrounding the merger. Our social media strategy has been revisited and activity across the relevant platforms has increased.

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REPORT OF THE BOARD OF TRUSTEES INCLUDING STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

The external environment within which Foundation operates has again been very difficult with continuing cuts to public sector funding and a rise in the numbers of people experiencing homelessness, debt, extreme poverty and mental health issues. In addition, the continued drain of increasing pension deficit contributions, combined with rent and contract reductions have put a great strain on our operating model. It has been 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 to the beginning of 2018. This culminated in an employment tribunal where a case brought by UNISON on the grounds of the terms and conditions changes process being run in a way so as to reduce collective bargaining rights was dismissed outright by the Judge. It took the organisation some time to recover from the previous 12 months but the announcement in September 2018 of the impending merger created the opportunity for a new start and morale has been rising.

Issues with the CRC approach to deliver services resulted in Barnsley Council taking back the contract operated by Interserve. As a subcontractor this meant that Foundation lost its contract worth around £750k in contract and rental income. Most employees were able to TUPE out.

Key achievements during the year have been:

- Further improvement in performance on rents
- Successful merger with Community Links

Concerted efforts have been made from the date of the merger through the rest of the year to improve communication with staff, build trusting relationships with leaders and heal the divisions from the dispute.

Foundation is currently seeking accreditation under environmental ISO 14001 and the systems being built can be utilised to create more detailed and meaningful data than that which has been collected to date.

Value for Money (VFM):

Foundation registered with the Homes and Communities Agency (now Homes 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 2019/20 as part of a group wide review post merger.

Data for 2018/19 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)
 - 1293 Repairs Reported
 - 83% Repairs completed within agreed timescales
- Complaints
 - 78 Complaints received – 100% acknowledged within 24 hours and 72% received full response within 15 days
 - 50 ASB reports received – 100% acknowledged within 24 hours and 78% 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)
- Rent collected
 - 97.3% rent collected
- Void loss
 - 5.9%
- Bad debts
 - 426 Debts written off

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REPORT OF THE BOARD OF TRUSTEES INCLUDING STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

The disappointing voids performance was caused by the handback of a major contract in Barnsley where 48 units had to be decanted over several months and had to remain empty until the whole buildings were clear.

In addition to quantifiable financial savings the business has been targeting other areas in which we could improve VFM. During the financial year we completed the roll out of VOIP technology across the organisation 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 IT and external audit contracts have been retendered as a group wide contract and will deliver significant savings. Further rationalisation of overhead contracts will follow.

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) £253k in the year.
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;

	2019	2018
	£ 7,953	£6,957

The increase in costs arises from the additional maintenance programme on properties being handed back together with the investment in splitting housing and support staff in some teams.

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

	2019	2018
➤ Social Housing lettings Only	10.3%	11.3%
➤ Overall	2.6%	4.1%

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.

	2019	2018
	11.4%	22.1%

The reduction in support contract margins together with the costs of early termination of the CRC contract in Barnsley 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 2019 the adoption of full defined benefit accounting Pension Scheme (SHPS) took the liability on the statement of financial position to £3,972k and a hit to total comprehensive income of £2,039k. The impact of this is that the organisation finished 2018/19 with a negative statement of financial position of £1,572k. The retendering of a number of contracts combined with aggressive cost control across the business resulted in an operating surplus of £271k (2018: £562k.)

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REPORT OF THE BOARD OF TRUSTEES INCLUDING STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

Cash flow remains a priority target for the organisation and is monitored regularly to ensure Foundation can meet its liabilities.

Future Plans

Ambitions for 2019/20

The disruptions experienced through 2018/19 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 2019/20 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**

Principal Risks and uncertainties

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

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

- Implementation of on-going cuts to Local Authorities arising from the policies of the 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 impact of another set of changes in accounting for the SHPS pension scheme on the organisation's balance sheet reducing our potential for borrowing and winning new business
- The impact of BREXIT on both public services and employment opportunities for customers
- The higher employment levels leading to difficulties recruiting high calibre staff

As noted in the statement of internal control on page 13, the Board consider that Foundation has procedures in place to maintain strong internal controls.

The major risks identified within the Risk Register are those associated with the effects of the recession and public policy framed by austerity, and the Company's ability to sustain competitiveness during the times of increased uncertainty and continued reductions in public funding. These risks are managed carefully in order to secure contracts which enable Foundation to sustain the right level of income for a number of years and enable its longer term planning.

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

FOUNDATION

REPORT OF THE BOARD OF TRUSTEES INCLUDING STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

- 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.

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

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

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 the merger.

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REPORT OF THE BOARD OF TRUSTEES INCLUDING STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

Environment and control procedures

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

Foundation's environmental action plan articulates the Company's commitment to sound environmental management.

This action plan will be implemented through the following activity:

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

The parent company is currently working towards ISO environmental accreditation.

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.

Related parties

None of the Trustees had any beneficial interest in any contract with the Company. Tenants are on normal commercial terms and they are not able to use their Trustee position to their advantage. The Company's subsidiary, Foundation Stone Enterprises Limited, was established in February 2014 and began trading in June 2016. 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 Company and of the surplus or deficit of the Company for that year. In preparing these financial statements the Board is required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the Company will continue in business

FOUNDATION

REPORT OF THE BOARD OF TRUSTEES INCLUDING STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

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

The Board is responsible for ensuring that the report of the Board is prepared in accordance with the Housing SORP 2014 Statement of Recommended Practice for Social Housing Providers.

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

Going concern

These financial statements have been prepared on a going concern basis as the Board have given due consideration to the forecasts, projections and level of resources required for future operations. Our services and funding continue to be at risk from cuts to Local Authority funding. Whilst the operative environment will remain challenging, the Board is confident that the reputation and competitiveness of the Company can contribute to modest growth in the next two years. Foundation has already won a major contract in early 2019/20 and Trustees believe the merger will now open up further possibilities for new income streams.

Accounting Policies

The Company's principal accounting policies are set out on pages 21 to 25 of the financial statements.

Investment policy

The Board regularly considers the most appropriate policy for investing the limited funds available within its reserves, informed by regular cash flow forecasts. Deposits are split across a number of institutions. During 2017/18 the sale of the Company'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. This aim was achieved in 2018/19.

Capital structure and treasury policy

Foundation does not have any loan facilities, the Company is supported by the current cash in hand of £882k (2018: £1,809k). £600k of the movement is due to the purchase of investments by Trustees in May and June 2018.

Annual general meeting

The annual general meeting will be held on 27 September 2019.

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.

FOUNDATION

REPORT OF THE BOARD OF TRUSTEES INCLUDING STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

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



Date: 11 SEPTEMBER 2019

FOUNDATION

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FOUNDATION

Opinion

We have audited the financial statements of Foundation for the year ended 31 March 2019 which comprise the Statement of Comprehensive Income, the Statement of financial Position, the Statement of Changes in Reserves 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 charitable company's affairs as at 31 March 2019 and of its 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 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 Strategic Report and the Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Trustees' Annual Report has been prepared in accordance with applicable legal requirements.

FOUNDATION

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

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 Strategic Report and the Trustees' Annual Report.

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 or returns adequate for our audit have not been received from branches not visited by us; or
- the 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 14, 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 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 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.

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

19 September 2019

FOUNDATION

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2019

	Note	2019 £'000	2018 £'000
Turnover	3	10,405	10,469
Operating costs	3	(10,134)	(9,907)
Operating Surplus		<u>271</u>	<u>562</u>
Interest receivable and other income	5	13	4
Interest payable and similar charges	6	(82)	(32)
Movement in fair value of financial Instruments		3	
Profit on disposal of freehold property			283
Surplus on ordinary activities before taxation		<u>205</u>	<u>817</u>
Tax on surplus on ordinary activities			-
Surplus for the financial year		<u>205</u>	<u>817</u>
Actuarial (loss)/gain in respect of defined benefit pension scheme	23	(909)	30
Initial recognition of multi employer defined benefit pension scheme		(1,130)	-
Total Comprehensive (Loss)/Income for the year		<u>(1,836)</u>	<u>847</u>

The notes on pages 21 to 43 form part of these financial statements.

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

The financial statements on pages 18 to 43 were approved by the Board and authorised for issue on 11 SEPTEMBER 2019 and are signed on its behalf by:



Chair: Claire Vilarrubi



Chair of Resources Committee: Cielo Cartwright

FOUNDATION

STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 MARCH 2019

	Note	2019 £'000	2018 £'000
Tangible fixed assets			
Intangible Assets	10	2	3
Housing properties	11	876	651
Other tangible fixed assets	12	<u>41</u>	<u>130</u>
Total fixed assets		919	784
Current assets			
Debtors	14	1,314	1,085
Investment	13	607	-
Cash and cash equivalents		<u>882</u>	<u>1,809</u>
		2,803	2,894
Creditors: Amounts falling due within one year	15	<u>(1,179)</u>	<u>(1,194)</u>
Net current assets		1,624	1,700
Total assets less current liabilities		2,543	2,484
Creditors: Amounts falling due After more than one year	16	(143)	-
Provisions for liabilities			
Defined benefit pension scheme liability	23	(3,972)	-
Deficit funding liability		<u>-</u>	<u>(2,222)</u>
		(4,115)	(2,222)
Net (Liabilities)/Assets		(1,572)	262
Capital and reserves			
Reserves	19	(1,572)	262
		(1,572)	262

The financial statements on pages 18 to 43 were approved by the Board and authorised for issue on 11 September 2019 and are signed on its behalf by:

Chair: Claire Vilarrubi

Chair of Resources Committee: Cielo Cartwright

FOUNDATION

STATEMENT OF CHANGES IN RESERVES

FOR THE YEAR ENDED 31 MARCH 2019

	General reserve £'000	Total £'000
Balance at 1 April 2018	262	262
Surplus for the year	205	205
Actuarial Loss	(2,039)	(2,039)
	<hr/>	<hr/>
Balance as at 31 March 2019	(1,572)	(1,572)
	<hr/>	<hr/>

FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

1 Accounting policies

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 3 Limewood Way, Seacroft, Leeds, West Yorkshire, LS14 1AB. The Company's principal activities are provided on page 3.

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.

Reduced disclosure

The company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 7 'Statement of Cash Flows' – presentation of a statements of cash flow and related notes and disclosures;

The financial statements of the company are consolidated in the financial statements of Inspire North, a charitable company limited by guarantee (company number 11568263) and also a charity registered in England and Wales (charity number 1180693). These consolidated financial statements are available from its registered office, 3 Limewood Way, Leeds, United Kingdom, LS14 1AB.

Basis of consolidation

The company has taken advantage of the exemption in section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements. Consequently, these financial statements present the financial position and financial performance of the company as a single entity.

Going Concern

Whilst the change in accounting for the Social Housing Pension Scheme has caused a deficit for the year and a reduction in net assets, such that the year-end Statement Of Financial Position has net liabilities of £1,572k the Trustees have prepared these financial statements on the going concern basis. The Trustees have prepared detailed annual forecasts and the company is included in the Group 5-year strategic plan. The Trustees believe that the Charity will be able to meet its liabilities as they fall due for a period of at least 12 months from the date of approval of these financial statements. The Trustees have further prepared a 5 Year Financial Plan to March 2023. Based on the information currently available in respect of the future, the Trustees consider that the Charity has the plans and resources to manage its business risks successfully

The Board prepare detailed annual forecasts and the Company is included in the Group 5-year strategic plan.

FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

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. A number of small new contracts also commenced during the year and a major contract has been won post year end which will commence July 2019. Whilst the operating environment will remain challenging, the Board is confident that the reputation and competitiveness of the Company can contribute to modest growth in the next two years enabling it to trade out of the deficit balance sheet position.

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

Taxation

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

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 Company where charged.

Interest Payable

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

Pensions

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 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 was previously not possible to identify the share of underlying assets and liabilities belonging to individual participating employers. However, sufficient information is now available to identify this for 31 March 2019 and, consequently, the SHPS can now be accounted for as a defined benefit scheme. The FRC issued FRED 71 (Draft amendments to FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland, Multiemployer defined benefit plans) which provides proposed changes to FRS 102 on the issue.

FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

1 Accounting Policies (continued)

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.

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

Housing properties which are carried on the statement of financial position at cost.

The estimated useful lives applied to the components of these, 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 there are no indicators of impairment at this time. Accordingly, no detailed impairment review has been performed. 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.

FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

1 Accounting Policies (continued)

Housing Properties (continued)

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

Investments in subsidiaries are recorded at cost less any provision for impairment losses.

Investments in quoted investments are carried at valuation based on the market price at the year end date.

Management of liquid resources

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

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	over 25 years
Fixtures, fittings and equipment	over 10 years or over life of the lease
Other tangible fixed assets	over 3 years

Operating Leases

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

FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

1 Accounting Policies (continued)

Reserves

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

Financial Instruments

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

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument, and are offset only when the Company currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets

Debtors which are receivable within one year and which do not constitute a financing transaction are initially measured at the transaction price. Trade debtors are subsequently measured at amortised cost, being the transaction price less any amounts settled and any impairment losses.

Where the arrangement with a trade debtor constitutes a financing transaction, the debtor is initially and subsequently measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument.

Other financial assets, including investments, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss.

Financial liabilities

Trade creditors payable within one year that do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled.

Where the arrangement with a trade creditor constitutes a financing transaction, the creditor is initially and subsequently measured at the present value of future payments discounted at a market rate of interest for a similar instrument.

Derecognition of financial assets and liabilities

A financial asset is derecognised only when the contractual rights to cash flows expire or are settled, or substantially all the risks and rewards of ownership are transferred to another party, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party. A financial liability (or part thereof) is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

2 Critical accounting judgements and estimation uncertainty

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

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

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 1 for the useful economic lives of each class of assets.

Financial instruments

The Company 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. Where cash levels permit, the company invests in short term quoted investments. 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 Company 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.

Defined benefit pension scheme

The present value of the Social Housing Pension Scheme (SHPS) defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost or income for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 23, will impact the carrying amount of the pension liability. During the period, the SHPS is now able to be accounted for as a defined benefit scheme and the accounting has been changed from defined contribution scheme in the previous period.

FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

3	Turnover, cost of sales, operating costs and operating Surplus/(Deficit)	2019			2018		
		Turnover £'000	Operating Costs £'000	Operating Surplus/(Deficit) £'000	Turnover £'000	Operating Costs £'000	Operating Surplus/(Deficit) £'000
Continuing activities							
Social housing activities							
	Income and expenditure from lettings	4,735	(4,247)	488	4,626	(4,105)	521
Other social housing activities							
	Supporting people contract income	5,196	(5,390)	(194)	5,131	(5,095)	36
	Other social housing income and expenditure	4	(4)	0	16	(16)	0
Non-social housing activities							
		470	(493)	(23)	696	(691)	5
Total							
		10,405	(10,134)	271	10,469	(9,907)	562

FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

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

Particulars of income and expenditure from social housing lettings

	2019 Supported Housing £'000	2018 Supported Housing £'000
Turnover from social housing lettings		
Rent receivable	3,311	3,346
Void Costs	(312)	(275)
Service Charges Receivable	1,959	1,763
Debts written off	(223)	(208)
Net rental income	4,735	4,626
Other revenue grants	-	-
Turnover from social housing lettings	4,735	4,626
Expenditure on social housing lettings		
Rent	(2,460)	(2,488)
Costs relating to tenants	(20)	(30)
Light and heat	(68)	(73)
Routine maintenance	(135)	(162)
Planned maintenance	(624)	(588)
Staff costs	(765)	(625)
Other Costs	(206)	(203)
Bad Debts Provision	31	64
Operating Costs on social housing Lettings	(4,247)	(4,105)
Operating Surplus on social housing lettings	488	521

4 Accommodation in management and development

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

	2019 Units	2018 Units
Supported housing-owned	10	4
Supported housing managed	524	586
Total units	534	590

FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

5 Interest receivable and other income

	2019 £'000	2018 £'000
Net finance income	-	-
Bank interest	13	4
	<u>13</u>	<u>4</u>

6 Interest payable and similar charges

	2019 £'000	2018 £'000
Pension scheme – net finance charge	82	32
	<u>82</u>	<u>32</u>

7 Operating surplus/(deficit)

This is arrived at after charging/(crediting):

	2019 £'000	2018 £'000
Release of capital grant	(2)	(140)
Depreciation of tangible fixed assets	75	80
Amortisation of Intangible fixed assets	3	9
Operating lease rentals		
- land and buildings	229	142
- office equipment	10	18
External Auditor's remuneration (including VAT)		
- external audit services	21	21
- accountancy and taxation services	3	-

FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

8 Employees

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

	2019 Average Number	2018 Average Number
Charitable work	204	199
Support services	26	26
	230	225

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

	2019 Average FTEs	2018 Average FTEs
Charitable work	161	156
Support services	24	24
	185	180

Employee costs:

	2019 £'000	2018 £'000
Wages and salaries	4,614	4,626
Social security costs	345	359
Other pension costs	122	129
	5,081	5,114

The Company's employees were eligible to be members of the Social Housing Pension Scheme. Further information on the scheme is given at note 23.

FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

9 Executive Officers' and senior staff emoluments

	2019 £'000	2018 £'000
Aggregate emoluments paid to all Executive Officers, excluding pension contributions	147	239
Aggregate amount of all Executive Officers' pensions	7	11
Aggregate amount of all Executive Officers' Employer's NI Contribution	17	28
Emoluments of the Chief Executive, who was also the highest paid employee, excluding pension contributions	46	70
Pension Contributions	3	4

Emoluments for the Officers fall into the following bands:

	2019 Number	2018 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 Officers are deemed to be the key management personnel of the Charity. Executive remuneration has decreased following the transfer of the team to Inspire North during the year.

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:

	2019 Number	2018 Number
Number of Trustees who were paid expenses	3	3

Trustee expenses of £409 (2018: £1,544) comprise travel and sundry expenses attendance allowances.

FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

10 Intangible fixed assets

	Purchased computer software £'000
Cost	
At 1 April 2018	232
Additions	2
	<hr/>
At 31 March 2019	234
	<hr/>
Depreciation	
At 1 April 2018	229
Charge for year in operating costs	3
	<hr/>
At 31 March 2019	232
	<hr/>
Net book value	
At 31 March 2019	2
	<hr/>
At 31 March 2018	3
	<hr/>

FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

11 Tangible fixed assets – housing properties

	Social housing properties held for letting £'000
Cost	
At 1 April 2018	913
Additions	200
Transfer from freehold property	53
	<hr/>
At 31 March 2019	1,166
	<hr/>
Depreciation	
At 1 April 2018	262
Charge for year	28
	<hr/>
At 31 March 2019	290
	<hr/>
Net book value	
At 31 March 2019	876
	<hr/>
At 31 March 2018	651
	<hr/>

Included in the above is a property in Scarborough with a net book value of £129,367 (2018: £132,000). There is a 30 year charge on the property that is being used to house vulnerable people.

FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

12 Other tangible fixed assets – Other

	Freehold Property £'000	Office/Leasehold Fixtures £'000	Furniture Equipment £'000	Computer & Accessories £'000	Total £'000
Cost					
At 1 April 2018	127	183	25	36	371
Additions	-	9	2	-	11
Transfer to housing property	(127)	-	-	-	(127)
Disposals	-	(27)	-	-	(27)
At 31 March 2019	-	165	27	36	228
Depreciation					
At 1 April 2018	72	120	23	26	241
Depreciation charge for the year	2	36	1	8	47
Transfer to housing property	(74)	-	-	-	(74)
Disposals	-	(27)	-	-	(27)
At 31 March 2019	-	129	24	34	187
Net book value					
At 31 March 2019	-	36	3	2	41
At 31 March 2018	55	63	2	10	130

FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

13 Investments

	Quoted investments £'000 Valuation	Investment in subsidiary £ Cost
1 April 2018	-	1
Additions	607	-
At 31 March 2019	607	1

The investment in subsidiary represents the 100% holding of the issued share capital of Foundation Stone Enterprises Limited, registered office 3 Limewood Way, Seacroft, Leeds, LS14 1AB. The company delivers housing related legal services and a social lettings agency.

Quoted investments include additions of £600k, investment gains and income received of £3k and £7k respectively and charges incurred of £3k. They consist of a portfolio of low risk equity and debt holdings managed by Charles Stanley.

14 Debtors

	2019 £'000	2018 £'000
Rent and service charges receivable	483	534
Less: provision for bad and doubtful debts	(125)	(156)
	358	378
Amounts due from group undertakings	614	230
Other debtors	186	252
Prepayments and accrued income	156	225
	1,314	1,085

15 Creditors: amounts falling due within one year

	2019 £'000	2018 £'000
Trade creditors	177	280
Other taxes and social security	60	93
Other creditors	111	122
Accruals	411	251
Deferred income	417	448
Deferred government grant (note 17)	3	-
	1,179	1,194

FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

15 Creditors: amounts falling due within one year (continued)

Deferred income includes £15,556 of underspend (2018 £ 80,000) relating to a project in North Yorkshire working with disadvantaged young people funded by the Big Lottery Reaching Communities Scheme. The project finished on 2 October 2018.

16 Creditors: amounts falling due after more than one year

	2019 £'000	2018 £'000
Deferred government grant (note 17)	143	-

17 Deferred government grant

	2019 £'000	2018 £'000
Balance at 1 April	-	140
Additions	148	-
Released during the year	(2)	(140)
Balance at 31 March	146	-

18 Financial Instruments

	2019 £'000	2018 £'000
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Carrying amount of financial assets

Measured at fair value	607	-
Measured at amortised cost	948	860

Carrying amount of financial liabilities

Measured at amortised cost	488	653
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FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

19 Reserves

	Undesignated Reserve £'000	Designated Reserve £'000	General Reserve £'000
At 1 April 2018	(205)	467	262
Surplus for the year	205	-	205
Actuarial Loss	(909)		(909)
Change to DB scheme	(1,130)		(1,130)
Transfers to general reserve	12	(12)	-
At 31 March 2019	(2,027)	455	(1,572)

Designated Reserves

	1 April 2018 £'000	Income £'000	Expenditure £'000	Transfers £'000	31 March 2019 £'000
St Peter's Building	327	-	(6)	-	321
Innovation and Project Development	8	-	(4)	-	4
Scarborough Property Fund	132	-	(2)	-	130
Total designated reserves	467	-	(12)	-	455

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.

20 Capital commitments

The Company had no capital commitments as at 31 March 2019 (2018: none).

FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

21 Other commitments

At 31 March 2019 the Company had total future minimum payments under non-cancellable operating leases as follows:

	Land and Buildings		Other	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Expiry Date:				
Within one year	216	185	3	8
Between two and five years	354	263	2	2
	570	448	5	10

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.

22 Contingent liabilities

The organisation had no contingent liabilities at the balance sheet date.

23 Pension Obligations

	31 March 2019 £'000	31 March 2018 £'000	31 March 2017 £'000
Present value of provision	3,972	2,222	2,580

The company participates in the Social Housing Pension Scheme (the Scheme), a multiemployer scheme which provides benefits to some 500 non-associated employers. The Scheme is a defined benefit scheme in the UK. The Scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK. The last triennial valuation of the scheme for funding purposes was carried out as at 30 September 2017. This valuation revealed a deficit of £1,522m. A Recovery Plan has been put in place with the aim of removing this deficit by 30 September 2026. 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.

For financial years ending on or before 28 February 2019, it has not been possible for the company to obtain sufficient information to enable it to account for the Scheme as a defined benefit scheme, therefore the company has accounted for the Scheme as a defined contribution scheme. For financial years ending on or after 31 March 2019, it is possible to obtain sufficient information to enable the company to account for the Scheme as a defined benefit scheme. For accounting purposes, two actuarial valuations for the scheme were carried out with effective dates of 31 March 2018 and 30 September 2018. The liability figures from each valuation are rolled forward to the relevant accounting dates, if applicable, and are used in conjunction with the company's fair share of the Scheme's total assets to calculate the company's net deficit or surplus at the accounting period start and end dates.

FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

23 Pension Obligations (continued)

Reconciliation of opening and closing provisions

	Period Ending 31 March 2019 £'000	Period Ending 31 March 2018 £'000	Period Ending 31 March 2017 £'000
Provision at start of year	2,222	2,580	2,800
Interest Expense	82	32	53
Expenses	15	-	-
Deficit contribution paid	(386)	(360)	(345)
Remeasurements	909	(30)	72
Adjustment on recognition as DB scheme	1,130	-	-
Provision at end of year	3,972	2,222	2,580

Income and expenditure impact

	Period Ending 31 March 2019 £'000	Period Ending 31 March 2018 £'000	Period Ending 31 March 2017 £'000
Interest expense	82	32	53
Remeasurements – impact of any change in assumptions	-	(30)	72
Expenses	15	-	-
Costs recognised in Income and expenditure account	97	2	125

ASSUMPTIONS

	31 March 2019 % per annum	31 March 2018 % per annum	31 March 2017 % per annum
Rate of discount	2.31	1.72	1.33

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 liabilities set out in this note have been calculated by an independent actuary based on the most recent full actuarial valuation. The results of the calculations and the assumptions that have been adopted are shown below.

FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

23 Pension Obligations (continued)

Key assumptions

2019
%

Discount rate	2.31
Inflation (RPI)	3.29
Inflation (CPI)	2.29
Salary growth	3.29

Mortality assumptions

Assumed life expectations on retirement at age 65:

2019
Years

Retiring today	21.8
Male	23.5
Female	

Retiring in 20 years	23.2
Male	24.7
Female	

Amounts recognised in the income statement:

2019
£'000

Expenses	15
Net interest on defined benefit liability	82
	97

Amounts taken to other comprehensive income

2019
£'000

Experience gain on plan assets	196
Experience loss on plan liabilities	(17)
Effect of changes in demographic assumptions	(41)
Effect of changes in the financial assumptions	(1,047)
Total actuarial loss	(909)

FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

23 Pension Obligations (continued)

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

	2019 £'000
Present value of defined benefit obligation	14,964
Fair value of plan assets	10,992
	<hr/>
Deficit in scheme	3,972
	<hr/>

Movements in the present value of defined benefit obligations:

	2019 £'000
Liabilities at 1 April 2018	14,188
Expenses	15
Interest cost	357
Actuarial losses due to scheme experience	17
Actuarial losses due to changes in demographic assumptions	41
Actuarial losses due to changes in financial assumptions	1047
Benefits paid	(701)
	<hr/>
At 31 March 2019	14,964
	<hr/>

Movements in the fair value of plan assets:

	2019 £'000
Fair value of assets at 1 April 2018	10,835
Interest income	275
Experience on plan assets	196
Contributions by the employer	386
Benefits paid	(700)
	<hr/>
At 31 March 2019	10,992
	<hr/>

The actual return on plan assets was £471,000.

FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

23 Pension Obligations (continued)

The analysis of the scheme assets at the reporting date were as follows:

	2019 £'000
Global equity	1,850
Absolute return	951
Distressed opportunities	200
Credit relative value	201
Alternative risk premia	634
Fund of hedge funds	49
Emerging markets debt	379
Risk sharing	332
Insurance-linked securities	315
Property	247
Infrastructure	576
Private debt	148
Corporate bond fund	513
Long lease property	162
Secured income	394
Liability driven investment	4,020
Net current assets	21
	<hr/>
	10,992
	<hr/>

24 Results of the subsidiary company

The wholly owned trading subsidiary, Foundation Stone Enterprises Limited (company number 08895921) is incorporated in England and Wales and has a registered office of 3 Limewood Way, Seacroft, Leeds, LS14 1AB.

The summary financial performance of the subsidiary is as follows:

	2019 £'000	2018 £'000
Income	256	259
Expenditure	(420)	(381)
	<hr/>	<hr/>
Loss for the period	(164)	(122)
	<hr/>	<hr/>

The net liabilities of Foundation Stone Enterprises Limited at 31 March 2019 were £327k (2018: £163k).

FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

25 Related parties

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

26 Parent company

Inspire North, a company registered in England and Wales, is the immediate and ultimate parent company. This is the parent of the smallest and largest group for which consolidated accounts including Foundation are prepared. The consolidated accounts of Inspire North can be obtained from the charity's registered office: 3 Limewood Way, Seacroft, Leeds, LS14 1AB.

