The Institute of integrated systemic therapy

Childhood First healing hurt minds

# Institute of Integrated Systemic Therapy (formerly Childhood First)

# Annual report and Consolidated Financial Statements for the year ended 31 March 2017

**Company number: 1708301**

**Institute of Integrated Systemic Therapy**

**Report and consolidated financial statements for the year ended 31 March 2017**

**Page:**

# IIST Report of the Board of Trustees

The Trustees, who are also directors of the charitable company for the purposes of the Companies Act 2006, present their annual report and the audited financial statements for the year ended 31 March 2017. The Trustees have adopted the provisions of the Financial Reporting Standard 102 and Statement of Recommended practice (FRS 102) in preparing the annual report and financial statements.

**Reference and administrative details of the Charity, its Trustees and Advisers**

| | |
|---|---|
| **Charity name:** | Institute of Integrated Systemic Therapy |
| **Trading name**: | Childhood First |
| **Charity registration number:** | 286909 |
| **Company registration number:** | 1708301 |
| **Registered office and operational address:** | 210 Borough High Street, London SE1 1JX |

**Board of Trustees**
The Trustees (directors of the company) during the year were:



**Chief Executive**
Stephen Blunden

**Company Secretary**
Greg Whelan

**Senior Management team**
Stephen Blunden
Greg Whelan
Barbara O'Reilly
Roger Stephenson
Gary Yexley (from August 2017)

**Auditors**
BDO LLP, 2 City Place, Beehive Ring Road, Gatwick, West Sussex, RH6 0PA

**Principal Bankers**
Coutts & Co, 440 Strand, London WC2R 0QS.

# IIST Report of the Board of Trustees

**Structure, governance and management**

Governing document
The Institute of Integrated Systemic Therapy (IIST) is a charitable company limited by guarantee. It was incorporated on 22nd March 1983 as the Peper Harow Foundation and registered as a charity on 12th May 1983. It changed its name to Childhood First on 16th July 2008. To reflect its special status as a training organisation, it changed its name to the Institute of Integrated Systemic Therapy on 28 September 2015. It is governed by memorandum and articles of association which were last amended on 24th November 2004. It still trades under the name Childhood First.

The charity's origins can be traced to 1919, with the foundation of Park House, a Training School for Jewish Boys in Middlesex. In 1947 the school relocated to Peper Harow House in Surrey, evolving in the early 1970s into a pioneering therapeutic community for troubled adolescents, which established the therapeutic values for which the charity is now renowned. Thornby Hall in Northamptonshire was opened as a therapeutic community along the same lines in 1986. Since then, several therapeutic communities and schools have been created and outreach work of various kinds has been undertaken to meet the needs of the day. IIST's current therapeutic communities include Thornby Hall in Northampton, Gables House and Greenfields House in Kent, and Earthsea House and Merrywood House in Norfolk. There are attached special schools at Thornby Hall and Greenfields.

Organisational structure
The Articles provide for there being between five and fifteen Trustees and there are currently thirteen. Each Trustee is expected to add significant value to the beneficiaries. This is normally through their knowledge, expertise, experience or influence, but can include their ability to provide financial or material support, or their network of other people willing to provide such support. The Trustee Board aims to include members with a range of expertise, including clinical and social work, education, child and family law, business, management, fundraising, marketing and campaigning.

The Board of Trustees meet every quarter. During the year, there have been three sub-committees which met quarterly, chaired by Trustees but with additional members with relevant experience, in the areas of:

- Finance
- School Governance
- Safeguarding

We are also establishing local support groups for fundraising, on the model of the successful Kent Friends Group.

All Trustees give their time voluntarily and do not receive any material benefits from the charity.

The Board of Trustees is responsible for the strategic direction and policy of the charity. It has delegated the day-to-day running of the organisation to the Chief Executive, to whom all other senior staff report.

Remuneration Policy
The remuneration of the staff are set by the Chief Executive in discussion with the trustees. The remuneration of the Chief Executive is set by the Chairman.

Recruitment and appointment of Trustees
Trustees are recruited through nomination to the Board by existing Trustees and senior staff. Nominations are discussed by the Board and, if agreed, the nominees are formally invited to join the Board by the Chair. The sensitivity and risks of the work, and our systemic understanding of therapeutic psychodynamics, mean that all Trustees are thought about very carefully before invitation to join the Board. All Trustees are required to retire from office by rotation and are eligible for re-election.

Trustees' induction and training
On joining, Trustees are given an induction pack and are invited to meet with the Chief Executive and senior staff for a full briefing and discussion about the work of the Charity. They also visit one or more therapeutic communities. Trustees will have been recruited for their skills, knowledge and experience. Where additional skills are needed for specific functions then training is arranged on an individual basis.

Related parties
IIST is the sole member of Childhood First (Midlands) Limited (registered charity number 286909), a company limited by guarantee (registered number 3187004), Childhood First (East Anglia) Limited (registered charity number 286909), a company limited by guarantee (registered number 3706394) and Childhood First (South) Limited (registered charity number 286909), a company limited by guarantee (registered number 3547839). It is also the sole Trustee of Princess Mary's Trust (registered charity number 229136).

Endowment funds
IIST, as sole Trustee of the Princess Mary's Trust, holds endowment funds. These funds are represented by properties held for the use of the charity. In 2006 the Charity Commissioners for England and Wales granted an order under section 26 of the Charities Act 1993. This order enables IIST to decide which part of the unapplied total return from the assets of the Princess Mary's Trust given to it on trust for investment (capital) should be held on trust for application (income) for the purposes of the Princess Mary's Trust.

As the properties currently held within the permanent endowment by the Princess Mary Trust are held as functional property there is no income being generated by permanent endowment. There is therefore no unapplied total return to be allocated between capital and income.

## Objectives and activities

Objects
The objects of IIST, as laid down in the Memorandum of Association, are to promote and further the care, treatment and rehabilitation of children and adolescents who are psychologically and emotionally disturbed and to promote fuller understanding and knowledge of the causes of psychological and social disturbance and ways in which the causes may be reduced or their consequences ameliorated.

Our mission is to enable children and young people to recover from severe relational trauma, to enjoy life and to achieve their potential; we do this through the provision of
- therapeutic residential care, treatment and education
- therapeutic foster care and family support
- professional psychotherapeutic training, clinical supervision and consultation.

Strategy
Our strategy is to continue to evolve and grow our mission, and to further develop our therapeutic approach, to better meet the needs of our beneficiaries and to maintain long-term sustainability. This reflects the aims that the charity was set up to further.

We are proud of what we achieve for troubled children and young people, but we recognise that as a charity we must do more. The majority of the children and families that face the problems that we have been set up to address do not get the help that they need. The costs for these children are frequently tragic, in short lives dependent on mental health and justice systems, with the pattern repeated in their own children. The costs to society of such serious untreated early life trauma are immense.

We have systematically developed our clinical capabilities and positioning to meet the needs of the most disturbed children and young people, who require the most specialised approaches and whose needs can be met by very few providers.

We have also demonstrated a unique capacity to create and sustain a group of therapeutic communities for severely traumatised children and young people. We therefore recognise an obligation to grow our provision and extend its scope to meet unmet needs.

We plan to play our part in better meeting the needs of seriously traumatised children and young people by:

a) Increasing the capacity and number of residential placements and special school places that we provide.
b) Further developing therapeutic services, including our therapeutic foster care provision.
c) Developing cost effective tapered packages of care.
d) Expanding our psychotherapeutic training programmes and extending IIST's capacity and reputation for clinical excellence.
e) Raising development funding by undertaking targeted appeals for capital developments.

Our funding
IIST's basic operational expenditure is primarily supported by statutory funding, with the Local Authorities paying an agreed fee for the children placed at the residential communities or receiving services through the Placement and Family Support or Integrated Therapeutic Fostering programmes. The main expenditure is in the running of the residential communities. However such funding is not sufficient to cover the growth and development of the therapeutic work, the facilities required and supporting activities such as research and training, which are key to the quality and effectiveness of the therapeutic work.

Voluntary and grant funding is, accordingly, essential to the sustainability and development of our work. As noted earlier, we are developing the capacity to fundraise for capital projects, as well as to increase the proportion of funding raised from trust and voluntary sources, to strengthen the sustainability of our mission, and to increase the number of children and families supported. Trust and voluntary funding is sought and applied towards specific programmes and activities, such as training and research, and towards capital developments.

Activities
Our core activities are centred on the work of five residential therapeutic communities and two non-residential programmes: Placement and Family Support; and Integrated Therapeutic Fostering (iTF). The residential communities provide integrated programmes of care, education and treatment to children and young people of various ages who are suffering the consequences of neglect and emotional, physical and sexual abuse. The communities are:

- Thornby Hall, Northamptonshire, for up to 18 young people aged 12 to 18. There is an onsite school which provides education.
- Greenfields House, Kent, for up to 10 children aged 5 to 12. The children are educated at Greenfields School, which also has places for day pupils.
- Gables House, Kent, for up to 4 children aged 10 -16. The children are educated at Greenfields School or onsite.
- Earthsea House, Norfolk, for up to 9 children aged 5 to 14. Education is provided on an adjacent site; and
- Merrywood House, Norfolk, for up to 6 children aged 11 to 17. Children are educated externally.

The Placement and Family Support service provides therapeutic support for vulnerable children with emotional and behavioural difficulties, together with their families and carers.

We have also established an Integrated Therapeutic Fostering (iTF) service in alliance with Anglia Fostering Agency (Norfolk and East Midlands), and Homefinding and Fostering Agency (Kent and South East). We are seeking partners in other regions.

**Public Benefit**
We review our aims and objectives regularly, looking both at the planned activities for the coming year and the progress against plans for the previous year. We have referred to the Charity Commission general guidance on public benefit when reviewing our aims and objectives and have considered how our activities meet the needs of our beneficiaries.

At each of our communities, places are open to children and young people from all over the UK, with the Local Authorities meeting the cost of the placement.

Due to the intensive and specialised nature of the work, the comparatively long treatment period for severely traumatised children and the size of the residential communities, the number of children and young people who directly benefit from our work each year is relatively small. Each child, however, represents a major investment of public resources. Without successful treatment, these children are likely to continue to demand substantial resources from social, health and justice systems throughout their lives, to impact adversely the lives of many children and adults, and to pass on similar needs to their own children. Thus the number of people who benefit from our work, directly and indirectly, is substantial. The opportunity to benefit from our work is open to all those who are eligible, as identified by the appropriate Local Authority and mental health services, and all those whom we assess can benefit from the services. Adolescents who are referred to our services must also personally ask to come and participate in the treatment programme.

As the costs of the placements are met by the Local Authorities, no child or young person is denied the opportunity to benefit on account of their own, or their family's, inability to meet any fees due.

**Strategic report**

The strategic report covers the following: a review of the achievements for the year (A), a financial review that flows from this (B), an explanation of the decision to close Thornby (C), our plans for the future (D) and our principle risks and uncertainties (E).

**A. Achievements and performance during the year**

During March 2016 we set the following 3-5 year objectives to strengthen and consolidate our work. The following report is focused on these objectives:

a) **To improve trading profitability.** During the year we began the process of registering to run our own fostering agency which will allow us to increase the number of children in our care; we did increase by one the number where we work jointly with another foster agency. We also increased the placement numbers in Greenfields so they operated closer to capacity. We were able for a time to increase the placement numbers at Thornby Hall although these reduced by the end of the year (see below, section C).

b) **To retain, grow and develop the therapeutic care staff team.** We delivered our UKCP-accredited psychotherapeutic training to the therapeutic care staff and 61 were studying by the end of the year. The training is now regarded as a unique contribution to staff development within the residential care sector. We also looked at the salary rates and ensured we remained competitive in the market. We have revised staff induction and initial training. We have developed a new Foundation level therapeutic training that will be taken by all care staff, to replace the more general statutory offering and provide an introduction to therapeutic thinking and practice. We have developed and implemented a number of new modules to our training, eg Clinical Supervision Training; Fast-Track Managers' Training. We are developing a training pathway for teachers in our schools. We have completed the replacement of the traditional clinical consultation model of therapeutic community with a new approach where all clinical roles are employed staff, increasing the opportunities for our own staff as they complete their training. We have developed improved management systems to ensure staffing levels support the business.

c) **To build continuity by developing in-house leadership and management skills and planning succession.** The executive team was reorganised with the addition of a residential services director post to line manage community directors, thus freeing up the Chief Executive to focus on strategic and external developments. Clinical leadership and management development has been enhanced through the UKCP-accredited psychotherapeutic training and the replacement of clinical consultants by employed staff for all clinical roles. We also developed senior management training arrangements to assist with succession planning

d) **Raising development funding**. We have received generous support to assist with the development of Gables House including a £150,000 anonymous donation. Gables development is scheduled to take place in 2018. During the year we completed the construction of the annex at Merrywood which now provides greater living space for the children; we are grateful to The Norfolk Friends for their continuing support.

We, in particular, would like to recognise the years of support provided by Geordie Kidson, who died in April 2016 We thank him and his family for their many generous donations to our Norfolk communities and for their continuing support to the charity.

In addition, we have also benefitted from the generosity of:

GD Arthur
Charles and Caroline Barratt Charitable Trust
Francis Brooke
Clara E Burgess Charity
Constance Paterson Charitable Foundation
Dennis Alan Yardy Charitable Trust
Dudley and Geoffrey Cox Charitable Trust
E F and M G Hall Charitable Trust
Esmée Fairbairn Foundation
Ha.sh Foundation
Hasluck Charitable Trust
Millichope Foundation
Raymond and Blanche Lawson Charitable Trust
Red House Youth Projects
Rebecca Stubbings
Sylvia Waddilove Foundation UK
The Austin and Hope Pilkington Trust
The Charles Littlewood Hill Trust
The Clover Trust
The Dyers' Company Charitable Trust
The Educational Foundation of Alderman John Norman
The Elaine Barratt Charitable Trust
The Elizabeth and Prince Zaiger Trust
The Ellerdale Trust
The Frederick and Phyllis Cann Trust
The Godinton Charitable Trust
The H. R. Pratt Boorman Family Foundation
The Inverforth Charitable Trust
The John Jarrold Trust
The Maud Elkington Charitable Trust
The Michael Cornish Charitable Trust
The Mountain Trust
The Paget Charitable Trust
The Peltz Trust
The Pennycress Trust
The Phillips Charitable Trust
The Screwfix Foundation
The Sir Jules Thorn Charitable Trust
The Wilson Foundation
Whitegates Children's Trust
Whitehead Monckton Charitable Foundation
The Wolfson Foundation

We raised £542,758 during the year (2016: £340,688); all these fundraising activities and donations have made possible important service improvements and developments which could not have happened otherwise.

### B. Financial Review

The annual accounts comprise the consolidation of the holding company and the three active subsidiaries: Childhood First (South) which contains Greenfields House and Gables House, Childhood First (East Anglia) which contains Earthsea House and Merrywood House, and Childhood First (Midlands) which contains Thornby Hall. The accounts also include a dormant company, Princess Mary Trust.

**Turnover**

| **Residential fees** (£000) | Midland | South | East Anglia | Total |
|---|---|---|---|---|
| 2015/16 | 2,970 | 2,305 | 2,698 | 7,973 |
| 2016/17 | 3,270 | 2,744 | 2,951 | 8,965 |
| **Change** | **300** | **439** | **253** | **992** |

Turnover from fees is up 12% (£992k) on the previous year. This continues the trend from last year where turnover rose by a similar amount. Thornby Hall placements were up 0.6 to 14.1. Together with an increase in average fees (as unsustainable low rate placements finished) turnover was up £300k. Placements at Greenfields House and Gables House were up 1.2; and with an average fee increase of 12%, turnover is up £439k. Merrywood House and Earthsea House placements remain stable and were close to full all year. The average fee increased by 10% as they continue to move away from the SLA with Norfolk. The overall effect was to increase turnover by £253k, assisted also by fostering fees.

Fund raising income was £542k, up £202k on last year. This was principally arising from a single anonymous donation for £150k.

**Financial return**

| **Surplus** (£000) | Midland | South | East Anglia | Total communities | Head office | Accounts |
|---|---|---|---|---|---|---|
| 2015/16 | (265) | 14 | 425 | **174** | 197 | **371** |
| 2016/17 | (19) | 121 | 441 | **543** | 482 | **1,025** |
| **Change** | 246 | 107 | 16 | **369** | 285 | **654** |

The above table shows overall financial return for the three main subsidiaries. Overall the communities have made a surplus of £543k, a considerable improvement from the previous £174k surplus and the loss of the year before.

The improvement in Thornby Hall's profitability is largely due to the £300k increase in income. Greenfields and Gables Houses' profitability has improved by £107k with the £439k increased income being offset by a rise in the cost base partly of operating in the South East. Staff costs increased by £400k although this was partly offset by a fall in clinical consultancy costs. For East Anglia staff costs have increased at the same pace as the turnover increase, leading to a small additional surplus.

The above surplus includes the Investments surplus of £255k for the year (2016 - £20k loss). Taken together net income for the year was £1,025k (2016: £371k).

**Total costs**

Overall costs have increased by 10% (£824k), this is largely accounted for in the increase in staff costs (£577k). Some of this increase is caused by recruiting staff to roles that were previously charged under Consultancy, which has fallen by £122k as an offset. Education costs continue to rise, up by £85k in East Anglia as the education costs for non-Norfolk children are charged to us by this county. However, this is compensated for by higher residential fees.

**Fixed assets**

There has been further investment in tangible fixed assets (land and buildings) during the year including the remaining cost of an annex in Merrywood (£81k) and purchase of replacement vehicles (£70k).

**Debtors and Creditors**

Debtors remain at a low level representing less than two weeks of turnover. Trade creditors have remained stable and represent three weeks of non-salary expenditure.

**Cash position**

Overall the cash position has increased by £919k. Operating activities generated £670k and the sale of shares £887k. This was offset by purchase of fixed assets (£190k), re-investment of £375k on deposit and the final repayment of the Coutts loan (£76k).

**Pension deficits**

A number of past employees and a few current employees are members of Local Authority defined benefit pension schemes, though these schemes were replaced with defined contribution schemes some years ago for all new employees. The poor performance of these Pension Schemes over the years has resulted in the Institute being responsible for a deficit which currently totals £424k, following a decrease of the deficit during the year of £101k. Full details of these schemes are included in the notes to the accounts.

**Investments**

IIST aims to maintain an investment portfolio which combines the best long term total financial return with a relatively low risk. In order to achieve this objective the investment portfolio should be invested in managed investment funds with the following guidelines:

- The investments should be divided between at least two different managed funds.
- The managed funds will have an aim of making total returns rather than income generation.

The prime ethical consideration is to avoid any conflict of interest between the Charity's objectives and the activities of any company in which the Charity has invested.

The performance of the funds is monitored by the Finance Committee on a regular basis. In recent years funds have been kept in cash, a cautious approach which has proved beneficial, but the Trustees have now invested in two managed funds. During the year the investment holding in Ruffer was sold yielding £888k in proceeds. The value of the invested funds at the end of the year was £1,752k. £408k of this is cash on deposit.

The investments made a total surplus of £255k which includes the profit on the sale of the Ruffer investments.

**Financial reserves**

The Trustees reserves policy is to achieve and maintain an appropriate but not excessive level of reserves to support its activities, taking into account the risks to which it is exposed. The charity holds reserves in the form of designated funds that are earmarked by the trustees to represent fixed and other assets which cannot be readily *converted into cash. In addition the charity holds unrestricted funds for the following reasons:*

1. to provide working capital to manage fluctuations in its cashflow
2. to provide protection against a serious disruption to its communities
3. to provide protection against a decline in the market for our services
4. to provide capital growth for imminent developments
5. to provide development of our service quality.

On the basis of the above we calculated that £2.9m to be sufficient free reserves to meet these contingencies.

Based on the accounts, total reserves are *£7,838k (2016: £6,853k). Excluding fixed assets (£4,559k) and* restricted funds (£470k) the unrestricted reserves amount to £2,809k (2016: £2,000k). However this total has been arrived at after recognising the £424k pension deficit which is a long term liability. Short term unrestricted reserves are therefore £3,233k. The charity aims to build up and maintain its reserves through unrestricted donations and through continuing to generate trading surpluses.

Given the subsequent decision to close Thornby a re-appraisal of reserves will be made. However, it is noteworthy that the organisation is able to financially cope with the process of closing Thornby and has sufficient funds and liquidity to operate thereafter.

### C. Closure of Thornby Hall

During the year Thornby Hall continued to provide therapeutic care, education and treatment for the young people resident. Although resourced to hold up to 18 placements it has operated below this level with 14.1 occupancy this year (2015/16: 14). Reflection about the difficulties of containing a larger group of young people led to the conclusion that Thornby Hall's traditional 'large-group therapeutic community' approach, with mixed genders in a large country-house setting, was no longer the safest or most effective therapeutic approach for the care and treatment of today's Looked After Children, and would always struggle to meet contemporary regulatory expectations. The development of the charity's smaller therapeutic homes over the past 15 years, in recognisably domestic settings, has offered a basis for trialling alternative insights and approaches and for performance comparison. Developing a therapeutic approach at once broader and deeper, integrating systemic, organisational, group and individual work (termed Integrated Systemic Therapy by the charity) has resulted in a more effective approach. The charity is determined to provide all children referred to us with the best available care, and accordingly the decision was taken in December to suspend admissions and undertake an in-depth review of the future of Thornby Hall, in consultation with the young people, staff, Ofsted, Local Authorities and the Charity Commission.

The trustees and senior managers considered a number of options: do nothing, downsize and remain on the existing site, downsize and move, close. To do nothing was not considered acceptable. Downsizing would create a more containable community of young people, but the property itself would then be out of proportion to the scale of the group and thus create additional risks and difficulties. The option to move and downsize was considered to carry a high probability of clinical and operational failure; it was also potentially more financially challenging than closure.

The trustees and senior managers felt that the best and most cost effective option, providing a well-managed and positive ending for remaining residents, together with the best available standards of care and treatment for the charity's beneficiaries into the future, would be to close Thornby Hall and use the proceeds to develop our other residential provisions and new IIST services.

In May 2017, following a period of wide consultation with stakeholders, the trustees decided to close the home and the school. A very carefully planned and managed process of preparation and closure took place, focused on the needs and wishes of the remaining resident young people. The last young person left on 28 July 2017 and the staff were made redundant in August. All young people were supported into appropriate new placements, and all staff supported into new employment opportunities. The property was put on the market in September 2017. We intend to use the net sale proceeds to invest in our Kent and Norfolk homes in order to provide more therapeutic capacity, and beyond that to support new services.

Because the decision to close Thornby Hall was taken after the year end, the impact has been treated as a post-balance sheet event in the accounts. The costs of closure will be accounted for in 2017/18. Nevertheless additional notes have been included in this year's accounts as required by Financial Reporting Standard 102.

### D. Plans for future periods

During the year, trustees and managers conducted a strategic review, which confirmed the following development objectives for our therapeutic and training services.

**Developing services**

A. Notwithstanding the closure of Thornby Hall, to increase the capacity and number of residential Integrated Systemic Therapy placements for troubled children.

B. To grow and further develop Integrated Therapeutic Fostering.

C. To develop cost effective tapered packages of care.

D. To grow and further develop therapeutic training programmes, and to consider providing these to other organisations.

E. To develop advisory and clinical consultation and support services for other organisations involved in the care, education and treatment of disturbed children.

**Developing organisational capacity**

F. To further develop our identity and clinical reputation as a psychotherapeutic training and research Institute:
- to improve the quality of our therapeutic work
- to better recruit and retain therapeutic staff
- to better integrate therapeutic and educational cultures
- to influence policy-makers and relevant professionals on behalf of the children and young people we serve.

G. To build continuity by developing in-house leadership and management skills and planning succession.

H. To maintain and develop our therapeutic and educational estates and facilities.

**Developing charity finances**

I. To improve operating surplus by effective cost control, optimised pricing and further growth in sustainable services

J. To raise development funding by:
- undertaking targeted appeals for capital developments;
- consistently positioning and pricing as a specialist Tier 4 mental health provider;
- developing statutory funding for innovative services.

## E. Principal Risks and Uncertainties

The Trustees have assessed the major risks to which the charity is exposed, in particular those related to the operations and finances, and believe that systems are in place to mitigate our exposure to the major risks.

Major risks and the actions which are taken to mitigate these risks include:
- OFSTED rating system. There is considerable risk of OFSTED rating a home below Good. This may or may not be in respect of genuine non-compliance with regulations. Evidence suggests that the rating system continues to be inconsistently applied, and that the approach to inspection is not wholly valid for specialist therapeutic environments. Policies and resources are in place which ensure our compliance with the Children's Homes regulations, with monthly inspections. Systems are in place to ensure recommendations from OFSTED reports are acted on in a timely way. We are closing Thornby Hall; we have concluded that the traditional 'large-group therapeutic community' configuration can no longer reliably meet contemporary regulatory expectations. Our remaining four homes are at the time of writing all rated 'Outstanding', and our school is rated as a high 'Good'.
- Recruitment and retention of appropriate skilled staff. Terms and conditions have been reviewed and amended, and a system of appraisals and training is in place. We now provide all care staff with a UKCP-accredited professional psychotherapeutic training, which is a substantial career benefit, and appears to be having a positive impact on recruitment and retention. We have replaced the clinical consultation model with employed clinical specialist roles, which provide progressive clinical employment opportunities for experienced and qualified staff that do not require shift-work.
- Shortfall in statutory income. The fees have been reviewed and are based on breaking even at average occupancy levels. There has been investment in marketing activity to ensure a steady stream of referrals and adequate numbers of children at any time. Where numbers fall below a sustainable level the Trustees will take appropriate action.
- Shortfall in voluntary income. A fundraising strategy has been put in place to ensure the voluntary income is sufficient to meet the needs of the charity.
- Closure of Thornby Hall. The closure was carefully planned and no new children were taken on some months before the decision to close. We communicated with all key stakeholders to ensure a safe exit for all the children that remained. We followed recognised employment processes to deal with staff redundancies.
- Residential properties continue to meet the needs of the children and young people. Refurbishment and regular maintenance programmes are in place. The closure of Thornby Hall, our sole remaining large country-house setting, means that all our current properties are fit for purpose, as therapeutic children's homes, schools or administrative offices. During the year consideration was given to moving Head Office to new premises, whilst remaining in London, but the option of renewing the lease on the existing office and refurbishing was determined to be the most cost effective option.

**Auditors**

All of the current Trustees (who are the directors of the company) have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Charitable Company's auditors for the purpose of their audit and to establish that the auditors are aware of that information. The Trustees are not aware of any relevant audit information of which the auditors are unaware.

BDO LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the next annual general meeting.

On behalf of the Board of Trustees

John Harrison

**John Harrison**
**Chairman**

26 September 2017

# Statement of Responsibilities of the Trustees

**Statement of Responsibilities of the Trustees**

The Trustees are responsible for preparing the Report of the Board of Trustees and the financial statements in accordance with applicable law and regulations.

Company law requires the Trustees (who are the directors for the purposes of company law) to prepare financial statements for each financial year. Under that law the Trustees have elected to prepare the group and charity financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and charity and of the profit or loss of the group for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charity's transactions and disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the financial statements comply with the Companies Act 2006. They are 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.

Financial statements are published on the charitable company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the group's website is the responsibility of the Trustees. The Trustees' responsibility also extends to the ongoing integrity of the financial statements contained therein.

# Independent auditor's report

**To the Trustees of the Institute of Integrated Systemic Therapy**

We have audited the financial statements of the Institute of Integrated Systemic Therapy for the year ended 31 March 2017 which comprise the Consolidated Statement of Financial Activities, the Consolidated and Charitable Company Balance Sheet, the Consolidated Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'the Financial Reporting Standard applicable in the UK and Republic of Ireland'

This report is made solely to the charity'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 charity'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 charity and the charity's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of Trustees and auditors**
As explained more fully in the Trustees' Responsibilities statement (set out on page 10), the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

We have been appointed auditor under the Companies Act 2006 and report in accordance with that Act.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with Financial Reporting Council's Ethical Standards for Auditors.

**Scope of the audit of the financial statements**
A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk.uk/apb/scope/private.cfm.

**Opinion on financial statements**
In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the parent charitable company's affairs as at 31 March 2017, and of the Group's incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Companies Act 2006.

**Opinion on other matters prescribed by the Companies Act 2006**
In our opinion the information given in the trustees' report for the financial year to 31 March 2017 for which the financial statements are prepared is consistent with the financial statements, and the Trustees' Annual Report has been prepared in accordance with applicable legal requirements.

Based on our knowledge and understanding of the charity and its environment obtained during the course of the audit we have identified no material misstatements in the Trustees' Annual report.

**Matters on which we are required to report by exception**
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Donald Bawtree, Senior Statutory Auditor
for and on behalf of BDO LLP, Statutory Auditor
Gatwick
United Kingdom

Date: 11 October 2017

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

# IIST Consolidated statement of financial activities for the year ended 31 March 2017

| | | 2017 | | | | 2016 |
|---|---|---|---|---|---|---|
| **Type of funds** | **Note** | **Unrestricted £** | **Restricted £** | **Endowment £** | **Total £** | **Total £** |
| **Income and endowments from** | | | | | | |
| Donations and legacies | | 208,395 | 334,362 | - | 542,757 | 340,688 |
| Charitable activities | | 8,965,522 | - | - | 8,965,522 | 7,973,508 |
| Investments | | 7,670 | - | - | 7,670 | 7,237 |
| Other | | 14,291 | - | - | 14,291 | 6,440 |
| **Total** | | 9,195,878 | 334,362 | - | 9,530,240 | 8,327,873 |
| **Expenditure on** | | | | | | |
| Raising funds | | 134,087 | - | - | 134,087 | 139,237 |
| Charitable activities | | | | | | |
| Therapeutic residential care | | 8,279,382 | 106,770 | 18,056 | 8,404,208 | 7,627,601 |
| Placement and family support | | - | 28,385 | - | 28,385 | 51,628 |
| Training | | 193,826 | - | - | 193,826 | 117,833 |
| **Total** | 2 | 8,607,296 | 135,155 | 18,056 | 8,760,506 | 7,936,299 |
| Gains/(losses) on Investments | | 255,536 | - | - | 255,536 | (19,699) |
| **Net income/(expenditure)** | 3 | 844,119 | 199,207 | (18,056) | 1,025,270 | 371,875 |
| Gross transfers | | 104,591 | (104,591) | - | - | - |
| Actuarial (losses) / gains on defined benefit schemes | 6 | (40,000) | - | - | (40,000) | 320,000 |
| Net movement in funds | | 908,710 | 94,616 | (18,056) | 985,270 | 691,875 |
| **Balance at 1 April 2016** | | 4,429,987 | 375,704 | 2,047,068 | 6,852,759 | 6,160,884 |
| **Balance at 31 March 2017** | | 5,338,697 | 470,320 | 2,029,012 | 7,838,029 | 6,852,759 |

All amounts relate to continuing activities. The Statement of Financial Activities incorporate the income and expenditure account and includes all recognised gains and losses in the current and prior year.

The notes on page 15 to 28 form part of these financial statements.

# IIST Consolidated and Company Balance Sheet
# For the year ended 31 March 2017

| *Company number: 1708301* | Note | Group 2017 £ | Group 2016 £ | Company 2017 £ | Company 2016 £ |
|---|---|---|---|---|---|
| **Fixed assets** | | | | | |
| Tangible assets | 7 | 4,558,949 | 4,478,272 | 2,131,735 | 2,157,203 |
| Investments | 8 | 1,752,150 | 2,003,592 | 1,752,150 | 2,006,592 |
| | | 6,311,099 | 6,481,864 | 3,883,885 | 4,160,795 |
| **Current assets** | | | | | |
| Debtors | 10 | 357,415 | 276,739 | 66,960 | 70,758 |
| Cash at bank | | 2,428,914 | 1,509,438 | 2,163,768 | 1,379,996 |
| | | 2,786,329 | 1,786,177 | 2,230,728 | 1,450,754 |
| **Creditors: amounts falling due within one year** | 11 | (822,572) | (877,455) | (1,754,411) | (1,751,639) |
| **Net current assets/(liabilities)** | | 1,963,757 | 908,722 | 476,317 | (300,885) |
| **Total assets less current liabilities** | | 8,274,856 | 7,390,586 | 4,360,202 | 3,845,877 |
| **Creditors: amounhts falling due after more than one year** | 12 | (12,827) | (12,827) | (12,827) | (12,827) |
| **Provisions for liabilities and charges** | 13 | (424,000) | (525,000) | - | - |
| **Net assets** | | 7,838,029 | 6,852,759 | 4,347,375 | 3,847,083 |
| **Represented by:** | | | | | |
| **Income funds** | | | | | |
| Unrestricted funds | | | | | |
| - General reserves | | 4,960,504 | 4,152,794 | 3,213,181 | 2,807,504 |
| - Pension reserves | | (424,000) | (525,000) | - | - |
| - Designated funds | 15 | 802,193 | 802,193 | 685,618 | 685,618 |
| Total unrestricted funds | | 5,338,697 | 4,429,987 | 3,898,799 | 3,493,122 |
| Restricted funds | 14 | 470,320 | 375,704 | 448,576 | 353,960 |
| **Capital funds** | | | | | |
| Endowment funds | | 2,029,012 | 2,047,068 | - | - |
| | 16 | 7,838,029 | 6,852,759 | 4,347,375 | 3,847,082 |

The financial statements were approved and authorised for issue by the Trustees on 26 September 2017 and were signed on its behalf by:

John Harrison

John Harrison
Chairman

The notes on pages 15 to 28 form part of these financial statements.

# IIST Consolidated statement of cash flows
# For the year ended 31 March 2017

| | Note | 2017 | 2016 |
|---|---|---|---|
| | | £ | £ |
| Net income for the reporting period | | 985,270 | 691,875 |
| Adjustments for: | | | |
| depreciation | 7 | 109,471 | 79,933 |
| (gains)/losses on investments | | (255,536) | 19,699 |
| interest (receivable) | | (5,795) | (4,315) |
| interest payable | | 1,057 | 5,314 |
| (profit) on fixed assets | | (2,812) | - |
| (increase)/decrease in debtors | 10 | (80,675) | 260,964 |
| increase/(decrease) in creditors | 11 | 20,516 | 13,932 |
| actuarial loss on defined benefit scheme | 13 | (101,000) | (438,000) |
| Net cash provided by operating activities | | 670,496 | 629,402 |
| Cash flows from investing activities: | | | |
| Proceeds from sale of investments | | 887,773 | - |
| Proceeds from sale of property | | 2,812 | - |
| (Purchase) of property, plant equipment | 7 | (190,148) | (133,353) |
| (purchase) of investments | 8 | (375,000) | - |
| Net cash provided by (used in) financing activities | | 325,437 | (133,353) |
| Cash flows from financing activities | | | |
| Repayments of borrowing | 11 | (76,457) | (105,314) |
| Net cash provided by financing activities | | (76,457) | (105,314) |
| Change in cash in reporting period | | 919,477 | 390,735 |
| Cash at beginning of period | | 1,509,438 | 1,118,703 |
| Cash at end of period | | 2,428,915 | 1,509,438 |

The notes on pages 15 to 28 form part of these financial statements.

**1 Accounting policies**

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the consolidated financial statements.

a) Basis of preparation

The Institute of Integrated Systemic Therapy is a charitable company incorporated in England & Wales under the Companies Act. The address of the registered office is given on the contents page and the nature of the charity's operations and its aims and objectives are set out in the trustees report. The financial statements have been prepared in accordance with FRS 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Charity's accounting policies.

Basis for consolidation

The consolidated accounts include the financial statements of the Institute of Integrated Systemic Therapy and of its subsidiary undertakings, Childhood First (Midlands) Limited, Childhood First (East Anglia) Limited and Childhood First (South) Limited. All of these charitable companies are incorporated in England and Wales. The consolidated accounts also include the results and net assets of Princess Mary's Trust, of which Childhood First is the sole Trustee and which has similar charitable objectives. The Trust can be contacted through Childhood First's registered office.

The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired in the year are included in the consolidated statement of financial activities and income and expenditure account from the date of acquisition. In the parent charity's financial statements, investments in subsidiary undertakings are stated at cost.

In accordance with the provisions of the Companies Act 2006 the parent charity is exempt from the requirement to present its own profit and loss account. The total incoming resources from the parent charitable company for the year was £1,822,631 (2016 - £1,554,954) and the surplus for the parent charitable company, including unrealised gains on investments, for the year was £500,292 (2016 - £214,039).

b) Fixed assets and depreciation

It is the charitable company's practice to maintain freehold buildings in a continual state of sound repair. From the commencement of 2015-16 depreciation has been charged on the building element of the asset. In addition, the Board of Trustees carries out an impairment review every year. If those reviews show that the book value of a property falls below both its net realisable value and its value in use then an impairment charge will be recognised to reduce its carrying value to the lower amount.

Fixed assets are stated at cost less depreciation. Items costing less than £1,000 are not capitalised. Depreciation is provided to write off the cost of each asset over its estimated useful economic life by equal annual instalments as follows:

| | |
|---|---|
| Freehold Buildings | - 2% |
| Short leasehold buildings | - over the remaining terms of the lease |
| Furniture, fittings, tools and equipment | - 10% - 33% per annum |
| Motor vehicles | - 25% - 33% per annum |

c) Operating leases

Where assets are financed by leasing agreements that give rights approximating to ownership ('finance leases'), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the statement of financial activities.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to the statement of financial activities over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

Annual rentals are charged to the statement of financial activities on a straight-line basis over the term of the lease.

d) Income and expenses

Expenses, rental income, investment income, interest receivable and fees are accounted for on an accruals basis. Donations are accounted for when received. Legacies are accounted for when received or if, before receipt, there is sufficient evidence as the probability of the receipt and value of the legacy. Grant income received is deferred to future accounting periods to the extent that the conditions for its receipt have not yet been met.

e) Allocation of expenses

- Costs of generating funds comprise the costs associated with attracting voluntary income.
- Charitable expenditure comprises those costs incurred by the charity in the delivery of its activities and services for its beneficiaries. It includes both costs that can be allocated directly to such activities and those costs of an indirect nature necessary to support them.

f) Investments

Listed investments are included in the balance sheet at market value. Realised gains and losses on the sale of investments and unrealised gains and losses on the revaluation of investments are included in the statement of financial activities.

g) Funds:

- Unrestricted funds
  These represent funds which can be expended as the trustees see fit, in accordance with the charitable objects of the group. These are further split into designated funds, which represent the fixed property assets, the pension reserves, representing the pension deficit, and general reserves.
- Restricted income funds
  These represent income received which can only be expended for the purpose specified by the donor.
- Permanent Endowment fund
  This represents assets donated which must be held as capital and cannot be converted to income.

h) Pension costs

- A number of employees belong to the Teacher's Superannuation Scheme, which is a defined benefit scheme. It is not been possible to identify the group's share of the underlying assets and liabilities in the scheme on a consistent and reasonable basis, and contributions have been charged to the income and expenditure account as they are paid.
- A number of employees belong to the Surrey County Council Pension Scheme or the Norfolk County Council Pension Fund, which are defined benefit pension schemes. These are treated in accordance with FRS 102.

  The difference between the fair value of the assets held in the charitable company's defined benefit pension scheme and the scheme's liabilities measured on an actuarial basis using the projected unit method are recognised in the charitable company's balance sheet as a pension asset or liability as appropriate. The carrying value of any resulting pension scheme asset is restricted to the extent that the charitable company is able to recover the surplus either through reduced contributions in the future or through funds from the scheme. The pension scheme balance is recognised net of any related deferred tax balance.

  Charges in the defined benefit pension scheme asset or liability arising from factors other than cash contribution by the charitable company are charged to the Statement of Financial Activities in accordance with FRS 102 'Retirement benefits'.
- Employees who are not eligible to belong to the above schemes may belong to a group personal pension plan. The assets of this plan are held separately from those of the company in an independently administered fund. The amount charged to the income and expenditure account represents the contribution payable to the plan in respect of the accounting period.

i) Financial instruments

The charity only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value.

j) Cash and cash equivalents

Cash and cash equivalents are near cash items with a similar risk profile to cash and can be accessed within three months.

## 2 Analysis of total resources expended

| | Basis of allocation | Fundraising | Therapeutics Residential care | Placement and family support | Training | 2017 Total | 2016 Total |
|---|---|---|---|---|---|---|---|
| | | £ | £ | £ | £ | £ | £ |
| Costs directly allocated to activities | | | | | | | |
| Staff costs | Direct | 58,356 | 6,002,240 | 28,385 | 149,056 | 6,238,037 | 5,661,828 |
| FRS 102 pension adjustment | Direct | - | (144,000) | - | - | (144,000) | (147,000) |
| Consultancy | Direct | - | 63,575 | - | - | 63,575 | 185,420 |
| Travel | Direct | 479 | 152,213 | - | 9,996 | 162,688 | 154,548 |
| Office costs | Direct | 2,035 | 208,819 | - | 238 | 211,092 | 169,179 |
| Public relations | Direct | 15,165 | 7,589 | - | - | 22,754 | 38,024 |
| Premises | Direct | - | 440,389 | - | - | 440,389 | 359,090 |
| Household | Direct | - | 114,481 | - | - | 114,481 | 119,585 |
| Provisions | Direct | - | 161,491 | - | - | 161,491 | 157,593 |
| Education | Direct | - | 392,268 | - | - | 392,268 | 277,126 |
| Personal care | Direct | - | 80,669 | - | - | 80,669 | 71,596 |
| Social activities | Direct | 1,493 | 169,880 | - | - | 171,373 | 177,423 |
| Other | Direct | - | 52,858 | - | 8,199 | 61,056 | 37,551 |
| Depreciation | Direct | - | 109,471 | - | - | 109,471 | 79,932 |
| Finance charges | Direct | - | 1,218 | - | - | 1,218 | 2,259 |
| Insurance, legal, professional | Direct | - | 100,936 | - | - | 100,936 | 85,471 |
| Audit and accountancy | Direct | - | 26,556 | - | - | 26,556 | 29,169 |
| Support costs allocated to activities | | | | | | | |
| Premises and office costs | Staff time | 32,850 | 36,792 | - | 2,628 | 72,270 | 46,411 |
| Finance and HR staff | Staff time | 18,292 | 329,263 | - | 18,292 | 365,847 | 355,044 |
| Other | Staff time | 5,417 | 97,500 | - | 5,417 | 108,334 | 76,050 |
| Total resources expended | | 134,087 | 8,404,208 | 28,385 | 193,826 | 8,760,506 | 7,936,299 |

Of the total resources expended in 2016, £7,834,633 related to unrestricted funds and £83,611 related to restricted funds and £18,055 to endowment funds.

**3 Net income/(expenditure)**

| | 2017 £ | 2016 £ |
|---|---|---|
| **Net income/(expenditure) for the year is stated after charging:** | | |
| Auditors' remuneration: | | |
| Group | 26,566 | 29,168 |
| Depreciation of tangible fixed assets | 109,471 | 79,932 |
| (Profit) on sale of fixed assets | (2,812) | - |
| Rentals payable under operating leases: | | |
| Land and buildings | 80,000 | 48,725 |
| Other | 26,615 | 10,287 |
| Trustees professional indemnity insurance | 2,025 | 2,025 |

**4 Staff numbers and costs**

The average number of persons employed by the group during the year was 194 (2016 - 184). The aggregate payroll costs of these persons were as follows:

| | 2017 £ | 2016 £ |
|---|---|---|
| Wages and salaries | 5,279,964 | 4,867,237 |
| Social security costs | 446,428 | 372,539 |
| Other pension costs | 405,165 | 272,811 |
| FRS 102 pension adjustment (see note 6) | (141,000) | (139,000) |
| | 5,990,557 | 5,373,587 |

The number of employees whose emoluments for the year were greater than £60,000 fell within the following ranges:

| | 2017 Number | 2016 Number |
|---|---|---|
| £60,001 - £70,000 | 3 | 2 |
| £70,001 - £80,000 | 1 | - |
| £80,001 - £90,000 | 1 | 1 |
| £90,001 - £100,000 | - | - |
| £100,001 - £110,000 | - | - |
| £110,001 - £120,000 | 1 | 1 |

Pension payments for the above members of staff amounted to £64,511 (2016 - £45,516).

No payments or remuneration were made to the Trustees during the year. Reimbursement of expenses to three Trustees incurred when travelling to, or engaged upon, the business of the charity amounted to £623 (2016 - £938).

During the year the senior management team increased from four to five. The combined remuneration of the senior management team was £417,025 (2016: £316,464).

## 5 Related party transactions

During the year, the following transactions took place between the parent company and its subsidiaries. Further related party transactions are identified in note 4.

| | Childhood First (Midlands) | Childhood First (South) | Childhood First (East Anglia) | Total |
|---|---|---|---|---|
| | £ | £ | £ | £ |
| **Charge to subsidiary** | | | | |
| Management charge | 341,572 | 234,874 | 220,087 | 796,533 |
| Rental | 86,000 | 123,600 | 74,000 | 283,600 |
| Institute training | 84,000 | 75,000 | 57,000 | 216,000 |
| **Total** | 511,572 | 433,474 | 351,087 | 1,296,133 |
| **Donations to subsidiary** | 62,696 | 25,214 | 151,836 | 239,746 |
| **Intercompany balance As at 31 March 2017** | | | | |
| Owed by parent | 483,133 | 818,374 | 362,802 | 1,664,309 |

At the balance sheet date Princess Mary Trust owed the parent charity £21,074 (2016: £21,074).

## 6 Pension contributions

(a) Surrey Pension Scheme

A number of the company's employees are members of the Surrey County Council Pension Scheme, which is a defined benefit scheme with the assets being held in separate Trustee administered funds. In accordance with FRS102 "retirement benefits", the figures included in the financial statements in respect of this scheme are based on an actuarial valuation carried out at 31 March 2013 by a qualified independent actuary. This does not take into account any impact of changes in general stock market values since that date.

The actuarial deficit attributable to the company at 31 March 2017 was estimated to be £442,000. There are currently 3 employees who are members of the scheme, 18 deferred pensioners and 21 pensioners.

The contributions of the charitable company during the year were 24.4% of pensionable salary plus a £149,000 lump sum (prior year: 24.4% plus £149,000) and amounted to £190,906 (2016 - £188,401). There were outstanding contributions of £17,481 due at the end of the financial year (prior year - £18,360). The employer contribution for the next financial year has been set at 31.4% of salary plus a lump sum of £30,000.

The major assumptions at 31 March 2017 as used by the actuary were:

| **Financial** | **2017** | **2016** |
|---|---|---|
| Pension increases | 2.4% | 2.1% |
| Salary increases | 2.7% | 3.6% |
| Discount rate | 2.5% | 3.4% |

**Mortality**

Vita Curves with improvements in line with the CMI 2010 model assuming the current rate of improvements has peaked and will converge to a long term rate of 1.25% p.a.

| **Current year** | **Males** | **Females** |
|---|---|---|
| Current pensioners | 22.5 years | 24.6 years |
| Future pensioners | 24.1 years | 26.4 years |

| **Prior year** | **Males** | **Females** |
|---|---|---|
| Current pensioners | 22.5 years | 24.6 years |
| Future pensioners | 24.5 years | 26.9 years |

**Commutation**

An allowance is included for future retirements to elect to take 25% of the maximum additional tax-free up to HMRC limits for pre-April 2008 service and 63% of the maximum tax-free for post-April 2008 service.

**Assets - solely Childhood First (Midlands) Limited**

The market value of the scheme's assets and their current allocation are:

| | **2017** **£** | **2016** **£** |
|---|---|---|
| Equities | 4,192,500 | 3,479,000 |
| Bonds | 838,500 | 742,000 |
| Property | 279,500 | 325,000 |
| Cash | 279,500 | 93,000 |
| Totals | 5,590,000 | 4,639,000 |

Total investment returns for the year to 31 March 2017 was 20.4%

| **Net pension assets and liabilities** | **2017** **£** | **2016** **£** |
|---|---|---|
| Estimated employer assets | 5,590,000 | 4,639,000 |
| Present value of scheme liabilities | (6,032,000) | (5,048,000) |
| Net pension liability | (442,000) | (409,000) |

| **Changes in the fair value of plan assets, defined benefit obligation and net liability** | **2017** | **2016** |
|---|---|---|
| | **£** | **£** |
| **Reconciliation of Funded liabilities** | | |
| Opening position | 5,048,000 | 5,371,000 |
| Current service cost | 48,000 | 49,000 |
| Interest cost | 168,000 | 164,000 |
| Contributions by members | 19,000 | 17,000 |
| Benefits paid | (258,000) | (255,000) |
| Expected closing position | 5,025,000 | 5,346,000 |
| Remeasurements | | |
| Changes to financial assumptions | 682,000 | (200,000) |
| Other experience | 325,000 | (98,000) |
| Total remeasurements | 1,007,000 | (298,000) |
| Closing position | 6,032,000 | 5,048,000 |

| Reconciliation of fair value of employer assets | 2017 £ | 2016 £ |
|---|---|---|
| Opening position | 4,639,000 | 4,641,000 |
| Interest income | 157,000 | 143,000 |
| Employer contributions | 190,000 | 188,000 |
| Contributions by members | 19,000 | 17,000 |
| Benefits paid | (258,000) | (255,000) |
| Expected closing position | 4,747,000 | 4,734,000 |
| Remeasurements | | |
| Return on assets | 843,000 | (95,000) |
| Total remeasurements | 843,000 | (95,000) |
| Closing position | 5,590,000 | 4,639,000 |

(b) Norfolk County Council Pension Fund

Two of the company's employees are a member of the Norfolk County Pension Scheme, which is a defined benefit scheme with the assets being held in separate Trustee administered funds. There is one deferred member and two pensioners.

In accordance with FRS102 "retirement benefits", the figures included in the financial statements in respect of this scheme are based on an actuarial valuation carried out at 31 March 2016 by a qualified independent actuary. This does not take into account any impact of changes in general stock market values since that date.

The contributions of the charitable company during the year were 24.3% of pensionable salary plus a lump sum of £18,000 and amounted to £46,212 (2016 -£49,794). There were outstanding contributions of £4,732 due at the end of the financial year (2016 - nil). The employer contribution for the year beginning 1 April 2017 has been set at 22.6% of salaries (2016 – 24.3%). There is no deficit contribution (2016 - £18,000).

The major assumptions at 31 March 2017 as used by the actuary were:

| Financial | 2017 | 2016 |
|---|---|---|
| Pension increases | 2.4% | 2.2% |
| Salary increases | 2.7% | 3.2% |
| Discount rate | 2.5% | 3.5% |

**Mortality**

Vita Curves with improvements in line with the CMI 2010 model assuming the current rate of improvements has peaked and will converge to a long term rate of 1.25% p.a.

| 2017 | Males | Females |
|---|---|---|
| Current pensioners | 22.1 years | 24.4 years |
| Future pensioners | 24.1 years | 26.4 years |

| 2016 | Males | Females |
|---|---|---|
| Current pensioners | 22.1 years | 24.3 years |
| Future pensioners | 24.5 years | 26.9 years |

**Commutation**
An allowance is included for future retirements to elect to take 25% of the maximum additional tax-free up to HMRC limits for pre-April 2008 service and 75% of the maximum tax-free for post-April 2008 service.

**Assets - solely Childhood First (East Anglia) Limited**

The market value of the scheme's assets and their current allocation are:

| | 2017<br>£ | 2016<br>£ |
|---|---|---|
| Equities | 784,920 | 617,000 |
| Bonds | 316,500 | 287,000 |
| Property | 126,600 | 138,000 |
| Cash | 37,980 | 21,000 |
| Totals | 1,266,000 | 1,063,000 |

Total investment returns for the year to 31 March 2017 was 17.1% (2016 – 2.1%)

| **Net pension assets and liabilities** | 2017<br>£ | 2016<br>£ |
|---|---|---|
| Estimated employer assets | 1,266,000 | 1,063,000 |
| Present value of scheme liabilities | (1,248,000) | (1,179,000) |
| Net pension asset (liability) | 18,000 | (116,000) |

**Changes in the fair value of plan assets, defined benefit obligation and net liability**

| | | |
|---|---|---|
| **Reconciliation of Funded liabilities** | | |
| Opening position | 1,179,000 | 1,333,000 |
| Current service cost | 33,000 | 42,000 |
| Interest cost | 41,000 | 42,000 |
| Contributions by members | 11,000 | 12,000 |
| Benefits paid | (35,000) | (125,000) |
| Expected closing position | 1,229,000 | 1,304,000 |
| Remeasurements | | |
| Changes to financial assumptions | 209,000 | (115,000) |
| Other experience | (190,000) | (10,000) |
| Total remeasurements | 19,000 | (125,000) |
| Closing position | 1,248,000 | 1,179,000 |

| | | |
|---|---|---|
| **Reconciliation of fair value of employer assets** | | |
| Opening position | 1,063,000 | 1,100,000 |
| Interest income | 38,000 | 34,000 |
| Employer contributions | 46,000 | 50,000 |
| Contributions by members | 11,000 | 12,000 |
| Benefits paid | (35,000) | (125,000) |
| Expected closing position | 1,123,000 | 1,071,000 |
| Remeasurements | | |
| Return on assets | 143,000 | (8,000) |
| Total remeasurements | 143,000 | (8,000) |
| Closing position | 1,266,000 | 1,063,000 |

**Combined summary information for Surrey and Norfolk County Council Pension Funds**

The table below provides details of the movement in the deficit during the year for both defined benefit pension schemes on a combined basis:

| | 2017 £ | 2016 £ |
|---|---|---|
| Current service cost | (81,000) | (91,000) |
| Interest cost | (209,000) | (206,000) |
| Interest income | 195,000 | 177,000 |
| Contributions paid | 236,000 | 238,000 |
| Net credit to statement of financial activities | 141,000 | 118,000 |
| Remeasurements | | |
| Return on assets | 986,000 | (103000) |
| Actuarial liabilities | (1,026,000) | 423,000 |
| Actuarial gains charged to statement of financial activities | (40,000) | 320,000 |
| Decrease in liability in the year | 101,000 | 438,000 |
| (Deficit) in schemes at beginning of the year | (525,000) | (963,000) |
| (Deficit) in schemes at end of year | (424,000) | (525,000) |

(c) Teacher's Superannuation Scheme

A number of the charitable company's employees are members of the Teachers' Pension Scheme (TPS). The TPS is a statutory, contributory defined benefit scheme administered by the Teacher's Pension Agency, an executive agency of the Department for Education and Employment.

Not less than every four year, with a supporting interim valuation in between, the Government Actuary (GA), using normal actuarial principles, conducts a formal actuarial review of the TSS. The aim of the review is to specify the level of future contributions.

The last valuation of the TPS was as at 31 March 2012. The value of notional assets (estimated future contributions together with the proceeds from the notional investments held at the valuation date) was £176 billion and the scheme had aggregate liabilities of £191billion, leaving a deficit of £15 billion. The valuation determined the contribution rates on the basis of a fifteen year recovery timeframe for this deficit.

From 2015 the total scheme contribution was determined to be 26% with employee contributions of 9.6% and employer contributions of 16.4%. Of the employer contributions, 10.8% were normal contributions and 5.8% was identified to cover past service deficits.

Total pension costs during the year were £74,315 (2016 - £61,491). There were outstanding contributions of £11,001 due at the end of the financial year (2016 - £7,787).

(d) Group Personal Pension Plan

A Group Personal Pension Plan exists for employees who are not eligible to be part of the above schemes. This is a defined contribution scheme.

The pension charge for the year represents contributions payable by the group to the fund and amounted to £93,731 (2016 - £81,768). There were outstanding contributions of £14,125 due at the end of the financial year (2016 - £12,651).

### 7 Tangible fixed assets

**a) Group**

| | Freehold properties £ | Furniture and equipment £ | Motor vehicles £ | Total £ |
|---|---|---|---|---|
| At 1 April 2016 | 4,258,423 | 320,333 | 178,328 | 4,757,085 |
| Additions | - | 119,507 | 70,641 | 190,148 |
| Disposals | - | - | (29,999) | (29,999) |
| At 31 March 2017 | 4,258,423 | 439,841 | 218,970 | 4,917,234 |
| *Depreciation* | | | | |
| At 1 April 2016 | 38,014 | 142,750 | 98,049 | 278,813 |
| Charge for year | 35,426 | 38,746 | 35,299 | 109,471 |
| Disposals | - | - | (29,999) | (29,999) |
| At 31 March 2017 | 73,440 | 181,496 | 103,349 | 358,285 |
| *Net book value* | | | | |
| At 31 March 2017 | 4,184,983 | 258,344 | 115,621 | 4,558,949 |
| At 31 March 2016 | 4,220,409 | 177,583 | 80,279 | 4,478,271 |

**b) Company**

| | Freehold properties £ | Furniture and equipment £ | Total £ |
|---|---|---|---|
| *Cost* | | | |
| At 31 March 2016 | 2,055,651 | 186,267 | 2,241,918 |
| Additions | - | 12,866 | 12,866 |
| At 31 March 2017 | 2,055,651 | 199,133 | 2,254,784 |
| *Depreciation* | | | |
| At 1 April 2016 | 19,959 | 64,756 | 84,715 |
| Charge for year | 17,370 | 20,964 | 38,334 |
| At 31 March 2017 | 37,329 | 85,720 | 123,049 |
| *Net book value* | | | |
| At 31 March 2017 | 2,018,322 | 113,413 | 2,131,735 |
| At 31 March 2016 | 2,035,692 | 121,511 | 2,157,203 |

## 8 Fixed asset investments

### a) Group and Company

| | 2017 | | | 2016 |
|---|---|---|---|---|
| | **Cash deposits** | **Investment funds** | **Total** | **Total** |
| | **£** | **£** | **£** | **£** |
| Balance at 1 April | 27,450 | 1,976,142 | 2,003,592 | 2,018,976 |
| Additions | 375,000 | - | 375,000 | 4,315 |
| Disposals | - | (782,358) | (782,358) | - |
| Loss/Gain on revaluation | 5,796 | 150,120 | 155,916 | (19,699) |
| Market value at 31st March | 408,246 | 1,343,904 | 1,752,150 | 2,003,592 |

The cash deposits are managed by Cazenove Capital Management and the investment funds are invested in CF Ruffer Total Return Fund and CG Portfolio Fund. Further cash deposits which were held by Royal London Cash Management were transferred during the year leaving the year end balance at nil (2016: £374,955).

### b) Subsidiary undertakings

The principal undertakings which have been included in the consolidated financial statements are as follows:

| *Subsidiary Undertaking* | *Country of Incorporation* | *Proportion of voting rights* | *Share capital held* | *Nature of business* |
|---|---|---|---|---|
| Childhood First (South) Ltd | England | 100% | Limited by guarantee | Charity |
| Childhood First (Midlands) Ltd | England | 100% | Limited by guarantee | Charity |
| Childhood First (East Anglia) Ltd | England | 100% | Limited by guarantee | Charity |
| Princess Mary's Trust | England | 100% | Trust | Charitable Trust |

**Subsidiary summary results:**

| | Childhood First (South) Ltd | Childhood First (Midlands) Ltd | Childhood First (East Anglia) Ltd | Princess Mary's Trust |
|---|---|---|---|---|
| | **£** | **£** | **£** | **£** |
| Income | 2,769,949 | 3,335,680 | 3,113,857 | - |
| Expenditure | 2,648,597 | 3,355,087 | 2,672,770 | 18,056 |
| Surplus | 121,352 | (19,407) | 441,086 | (18,056) |
| Other movements | - | (164,000) | 124,000 | - |
| Reserves b/f | 758,113 | 121,436 | (39,191) | 2,047,068 |
| Reserves c/f | 879,465 | (61,971) | 525,895 | 2,029,012 |

## 9 Unapplied total return

At both 1st April 2016 and 31st March 2017 the value of assets representing the unapplied total return was nil. There was no surplus generated during the year.

## 10 Debtors – due within one year

| | Group 2017 £ | Group 2016 £ | Company 2017 £ | Company 2016 £ |
|---|---|---|---|---|
| Trade debtors | 290,278 | 171,832 | 320 | 1,809 |
| Amounts owed by group undertakings | - | - | 21,074 | 21,074 |
| Prepayments and accrued income | 55,853 | 97,500 | 40,083 | 46,268 |
| Other debtors | 11,284 | 7,407 | 5,483 | 1,607 |
| | 357,415 | 276,739 | 66,960 | 70,758 |

## 11 Creditors: amounts falling due within one year

| | Group 2017 £ | Group 2016 £ | Company 2017 £ | Company 2016 £ |
|---|---|---|---|---|
| Bank Loan | - | 75,398 | - | 75,398 |
| Amounts owed to group undertakings | - | - | 1,664,309 | 1,562,962 |
| Trade creditors | 126,596 | 224,767 | 14,887 | 24,630 |
| Other creditors | 146,227 | 151,968 | 25,958 | 24,523 |
| Taxation and social security | 131,314 | 108,198 | 25,668 | 21,770 |
| Accruals and deferred income | 418,435 | 317,124 | 23,589 | 42,356 |
| | 822,572 | 877,455 | 1,754,411 | 1,751,639 |

## 12 Creditors: amounts falling due after more than one year

| | Group 2017 £ | Group 2016 £ | Company 2017 £ | Company 2016 £ |
|---|---|---|---|---|
| Other | 12,827 | 12,827 | 12,827 | 12,827 |
| | 12,827 | 12,827 | 12,827 | 12,827 |

## 13 Provisions for liabilities and charges

| | Group 2017 £ | Group 2016 £ | Company 2017 £ | Company 2016 £ |
|---|---|---|---|---|
| **Pension costs** | | | | |
| Balance brought forward | 525,000 | 963,000 | - | - |
| (Decrease) in FRS102 pension liability during the year | (101,000) | (438,000) | - | - |
| Balance carried forward | 424,000 | 525,000 | - | - |

## 14 Restricted income funds

The Group's restricted income funds consist of the following material funds:

| | Balance at 1 April 2016 | Income for the year | Expenditure for the year | Capital spend | Balance at 31 March 2017 |
|---|---|---|---|---|---|
| | £ | £ | £ | £ | |
| Other projects | 375,704 | 334,362 | (135,155) | (104,591) | 470,320 |
| **Total** | 375,704 | 334,362 | (135,155) | (104,591) | 470,320 |

The reserves for other projects are restricted to either the location of the communities and may also be restricted by a particular activity such as a specific building project or service. During the year £81,400 was spent on capital for an extension at Merrywood and £23,191 on developments at Greenfields and Gables.

## 15 Designated funds

Designated funds, within restricted funds, represent fixed property assets which are not part of the permanent endowment fund, specifically Earthsea House, Greenfields School and part of Greenfields House.

| | Company | Group |
|---|---|---|
| | £ | £ |
| Balance at 1 April 2016 | 685,618 | 802,193 |
| Balance at 31st March 2017 | 685,618 | 802,193 |

## 16 Analysis of net assets between funds

| **Group** | Unrestricted funds | Restricted Income funds | Permanent Endowment fund | Total funds |
|---|---|---|---|---|
| | £ | £ | £ | £ |
| Fund balances at 31 March 2017 are represented by: | | | | |
| Tangible fixed assets | 2,529,937 | - | 2,029,012 | 4,558,949 |
| Investments | 1,752,150 | - | - | 1,752,150 |
| Current assets | 2,316,009 | 470,320 | - | 2,786,329 |
| Current liabilities | (822,572) | - | - | (822,572) |
| Long term liabilities | (12,827) | - | - | (12,827) |
| Provisions for liabilities and charges | (424,000) | - | - | (424,000) |
| Total net assets | 5,338,697 | 470,320 | 2,029,012 | 7,838,029 |

The permanent endowment fund represents some of the assets of Princess Mary's Trust.

## 17 Commitments

Total commitments under non-cancellable operating leases at 31 March 2017 were as follows:

| | 2017 | 2016 |
|---|---|---|
| | £ | £ |
| Equipment leases | 77,807 | 39,236 |
| Property leases | 374,000 | 138,544 |
| | 451,807 | 177,780 |

A total of £106,615 (2016 - £106,615) of the amount above is repayable within one year and the balance due between two and five years.

Property leases relate to rental leases on head office (expires January 2022) and Merrywood House (expires September 2021).

**18 Post balance sheet event**

On 22 May the Trustees decided to close Thornby Hall. Thornby continued to operate until the end of July when all the children had left. Staff were made redundant in August and September 2017 and the property was put on the market in September 2017. The property is owned by Princess Mary Trust which is wholly owned by IIST. The effect of this closure will principally affect Childhood First (Midland) which reflects the trading activity of Thornby Hall. The costs associated with the closure fall into the subsequent financial year (2017/18). Any appropriate provision prior to then has been included in these accounts. The current assessment is that Thornby Hall will be sold for more than its book value and so no provision for impairment is considered necessary. Thornby Hall is still recorded as a fixed asset in the consolidated accounts of IIST.

The decision also means that IIST will have a discontinuing operation in the next financial year (Thornby). The scale of the discontinued activity is represented by the subsidiary Childhood First (Midland). Its results are shown in note 8(b) and shows a deficit for the year of £19,407 after including charges and donations from the parent company (note 5). The effect of the pension liability (shown as other movements in note 8(b)) will form part of continuing operations of the group.