

Company number: 6893564
Charity Number: 1139891
OSCR No. SC043881

Affinity Trust

Report and financial statements
For the year ended 30 September 2017

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Affinity Trust

Contents

For the year ended 30 September 2017

Reference and administrative information	1-2
Trustees' annual report	3-12
Independent auditor's report	13-16
Statement of financial activities (incorporating an income and expenditure account)	17
Balance sheet	18
Statement of cash flows.....	19
Notes to the financial statements	20-38

Affinity Trust

Reference and administrative information

For the year ended 30 September 2017

Status The organisation is a company limited by guarantee, incorporated on 30 April 2009 in the name of Affinity Trust. It transmogrified from an Industrial and Provident Society named TACT UK Limited, which was recognised as charitable by HM Revenue & Customs. Affinity Trust registered as a charity on 18 January 2011 and with the Office of the Scottish Charity Regulator (OSCR) on 21 March 2013.

Company number 6893564

Charity number 1139891

OSCR No SC043881

Governing document The organisation is governed by its articles of association dated 30 April 2009 as amended by special resolution registered at Companies House on 11 January 2011.

Registered office and operational address 1 St Andrew's Court
Wellington Street
Thame
Oxfordshire
OX9 3WT

Country of registration England & Wales and Scotland.

Country of incorporation United Kingdom

Senior Management Team	L Sowerby	Chief Executive and Company Secretary
	N Brittle	Development Director
	C Brooks	Finance Director
	V Neish	Director of Operations and Quality
	D Leedham	Director of Operations and Quality
	A Kippax	Human Resources Director

Trustees Trustees, who are also directors under company law, who served during the year and up to the date of this report were as follows:

M Thomas	Chairman
K Cameron	Vice Chairman, Chair of the Remuneration, Asset Allocation and Nominations Committees (retired 30.9.17)
C Gabriel	
J Hawthorne	
M Moody	
A Taylor	
A Anketell	
Dr S Ross	Chair of the Quality Committee
T Tamblyn	Chair of the Finance and Audit Panel
D Walden	

Affinity Trust

Reference and administrative information

For the year ended 30 September 2017

Bankers	Bank of Scotland Phase 2 Canons House Canons Way Bristol BS99 7LB
	Nat West Willow Court Minns Business Park 7 West Way Oxford OX2 0JB
	Barclays Wytham Court 11 West Way Oxford OX2 0JB
Investment Manager	Coutts & Co 440 Strand London WC2R 0QS
Solicitors	Simons Muirhead & Burton LLP 8-9 Frith Street London W1D 3JB
Auditor	Sayer Vincent LLP Chartered Accountants and Statutory Auditor Invicta House 108-114 Golden Lane LONDON EC1Y 0TL

Affinity Trust

Trustees' annual report

For the year ended 30 September 2017

The trustees present their report and the audited financial statements for the year ended 30 September 2017.

Reference and administrative information set out on pages 1 and 2 forms part of this report. The financial statements comply with current statutory requirements and the Statement of Recommended Practice - Accounting and Reporting by Charities: SORP applicable to charities preparing their accounts in accordance with FRS 102.

Objectives and activities

Purposes and aims

The Board has set the following as Affinity Trust's mission statement and values:

Mission statement

To enable people with learning disabilities to pursue active and fulfilling lives, gain increased independence and achieve equal rights as citizens.

Values

In all our dealings with everyone we work with, we will be:

Committed to doing our very best for the people we support and never giving up on someone we support;

Reliable and always do what we say we will do;

Honest and open in all of our relationships and transactions;

Respectful of others, their views and their rights;

Inclusive in how we value diversity, support equality of access to opportunities and challenge discrimination;

Creative and flexible in our thinking, in our work and in how we use our resources

Affinity Trust supports 935 people in communities across England and Scotland with support arrangements which range from a few hours per month to "24/7" intensive support. A key part of our ethos is to help support people to live in their own homes. The main activities of the organisation have been the provision of: -

Supported living services - providing personalised support for people living in their own home. The levels of support are substantial but flexible to meet the needs of the individual. Increasingly, the emphasis on support is more towards people who have more complex and specialist needs, for example people with a dual diagnosis of mental health and learning disability, learning disability with autism and/or people who challenge.

Outreach services - providing smaller amounts of support on a flexible basis.

Shared living services - support to small numbers of people who live together.

Day opportunities - helping people with learning disabilities to access work, sporting, leisure, creative and other opportunities in the community.

Housing - Affinity Trust owns a number of properties, most of which provide accommodation for people in our supported living services. We also work with our commissioning partners to help find accommodation that Affinity Trust does not own, typically via Housing Associations or occasionally through private landlord short term leasing arrangements.

Social Enterprise - Affinity Trust runs a social enterprise garden centre that provides employment and day opportunities for the people that we support.

Affinity Trust

Trustees' annual report

For the year ended 30 September 2017

The main source of funding for the organisation is Local Government contractual income, and to a much lesser extent income from the NHS and also contributions from the people we support (as shown in Note 3).

Strategic Report

The trustees review the aims, objectives and activities of the charity each year. The review looks at the charity's achievements and the outcomes of its work in the reporting period. The trustees review the success of each key activity and the benefits the charity has brought to those groups of people that it is set up to help. The review also helps the trustees ensure the charity's aims, objectives and activities remained focused on its stated purposes.

The trustees have referred to the guidance contained in the Charity Commission's general guidance on public benefit when reviewing the charity's aims and objectives and in planning its future activities. In particular, the trustees consider how planned activities will contribute to the aims and objectives that have been set.

Achievements and performance

The charity's main activities and beneficiaries are described below. All its charitable activities focus on people with learning disabilities and are undertaken to further Affinity Trust's charitable purposes for the public benefit.

Beneficiaries of our services

The beneficiaries of Affinity Trust are primarily the people to whom we provide direct support in our services across England and Scotland, whereby people are provided with the person centred support that they need to achieve their personal goals. As a result there is a direct and tangible benefit for each person in terms of being more independent and enabled to live a valued and fulfilled life in the particular community where they choose to live, with equality of access to services and the same opportunities and choices that all citizens have. There is also an indirect benefit for the families and friendship groups of the people we support, and beyond this the obvious wider benefits as a result of integrating people into their local communities. This is particularly the case where Affinity Trust helps support people to move back to their local community eg. where they may have been placed in a hospital setting, often remote from family and friends and at a greater financial cost.

At the start of the year the Board of Trustees reviewed the key aims and objectives for the organisation and set them out in a Strategic Plan. The Strategic Plan identified three overarching key objectives for the organisation - i) To provide high quality, person centred, safe support; ii) To provide skilled and engaged staff; iii) To support an increased number of people.

The main achievements during the year were:-

- The organisation has continued to grow its provision of services for adults and increased both the number of people being supported (from 904 last year to 935 people) and income levels (from £45.2m last year to £50.6m) through the award of significant new contracts in Portsmouth, Bedford and Wolverhampton, in addition to expansion of services through individual referrals made on existing Framework agreements in a number of other areas.
- In October 2017 the organisation was awarded its first service for children and young people. This is a Positive Behaviour Support service in Bradford which will commence in January 2018 and is a partnership project working with Bradford MBC and Social and Sustainable Capital, a social investor who will provide financial investment via a Social Impact Bond and other support to the organisation over the life of the

project. This is an exciting new and innovative opportunity to work with children and agencies supporting them at home with their families rather than in a residential care setting.

- This year saw the launch of our first comprehensive staff engagement survey and the feedback from this survey has been utilised to help shape the key organisation wide initiatives for 2017/18. This has been achieved through divisional management workshops across the country to enable managers to consider the key themes and issues being raised by staff and propose potential solutions.
- The quality of our services remains of paramount importance and the Trustees consider that the standard of support provided is very high and this is borne out by positive ratings from our regulator the Care Quality Commission (our CQC inspection results are above the national average for this sector, with 83% of our services being rated as "Good").
- Total reserves increased by £1.6m since the start of the year and cash also increased by £3m as a result of an increased focus on our billing processes.
- Affinity Trust celebrated its 25th anniversary as an organisation supporting people with learning disabilities, and organised a number of events around the country to mark this landmark which were attended and enjoyed by people we support and their families, members of staff and representatives from our commissioning partners.

Financial review

For the year ended 30 September 2017 Affinity Trust achieved a positive net movement in funds of £1.6m being 3.3% on all its activities (prior year £0.6m being 1.2% on all activities). The increase in surplus vs prior year was in part due to a one-off gain on disposal of a property. There was a growth in income from operational activities of approximately 12% (higher than the 9% growth reported last year) due to the impact of the new services described above and it is extremely positive to report that the organisation managed to retain all of its existing major support contracts during the year.

Internal financial reviews of management performance are based on key performance indicators as follows:

- Income, costs and surplus comparisons to budget, prior year amounts and forecasts;
- Staff turnover and absence management;
- Payroll and agency staff costs, trend and comparison to targets;
- Aged debtor management
- Cash balances

Turnover of staff remains the most challenging area for the organisation reflecting the broader picture across the social care sector, where staff turnover rates have increased significantly over the past few years. The annual rate of staff turnover at Affinity Trust has remained fairly stable over the last two years at c. 30%. Achievement of our financial targets for the year enabled the organisation to make a pay increase to staff of 1% in October 2017, which is the first increase in pay rates staff have received since 2014 due to the pressures on the social care sector. Agency costs increased slightly this year to 6.5% as a percentage of our income compared to 6.3% last year and this is directly linked to the staff turnover performance and challenges in many geographic areas with recruitment of permanent staff.

Additional costs of c £0.7m were incurred in the second half of this year (£1.4m per annum) associated with additional costs paid to staff for sleep in shifts. The subject of sleep in shifts and uncertainty about whether they are required to be considered as part of National Minimum Wage regulations has been much publicised

during the year and it was decided that it would be prudent to make additional payments to staff to avoid the possibility of the punitive penalties that would attach to any assessed underpayment. The costs of these additional payments has been met through a combination of cost savings (including some redundancies at our head office and across our operational management teams) as well as additional income where we have negotiated with Local Authorities to fund these significant additional costs (see additional comments on this topic under "Principal Risks and Uncertainties" section below).

In relation to our property assets, we disposed of one of our residential care homes in Berkshire in August 2017 and three other properties were also put up for sale during the year, two of which were disposed of in October 2017. All four properties were surplus to operational requirements in the local areas although the need for accommodation for people with learning disabilities remains a priority more generally. Planned and responsive maintenance activities continued to be undertaken by our partners the Salvation Army Housing Association during the year as part of our strategy to provide improved quality and in particular more reliable response times for our tenants and this has been a success with significant planned improvements undertaken mid-year in ten of the properties owned by the organisation.

Reserves policy

The Board has reviewed the reserves policy and confirmed the need to hold reserves to meet all creditor obligations as they fall due and to meet future expenditure for which no liability currently exists. A level of general reserves equivalent to one month's net payroll expenditure (c. £2.5m) is required to ensure staff payroll commitments are always met, as staff are typically paid in advance of Local Authorities paying for the support provided. The current level of cash backed reserves (including investments, which are held for the long term but are in effect "liquid" assets) is £7.1m and the organisation is well placed as it enters the new financial year.

Total designated funds are £2.7m. The majority (£2.3m) is fixed assets net of loans as the fixed assets are mainly properties that are people's homes that could not be realised in the short or medium term. The balance is designated reserves for a series of projects that the organisation intends to invest in and these project funds will mostly be expended within the next 12 months.

Any cash funds not immediately required for working capital are held as short term (less than one year) bank deposits. This position is reviewed regularly and decisions as to alternative investments are considered by the Board when considered necessary. When cash balance levels increase (and where these additional funds are not invested with Coutts) transfers are made from our main account with Natwest to holdings in Barclays and Bank of Scotland to reduce the organisation's overall financial risk in the event of a banking sector failure.

Investment policy

Affinity Trust's investment policy is documented within the Treasury Management and Investment Policy, which is reviewed annually by the Asset Allocation Committee. To summarise the policy, a widely diversified investment portfolio is established within which a range of investments across the whole risk spectrum from high to low may be held with the expectation that there will be no concentration of assets at the high or low end of the risk spectrum at any point in time. The Asset Allocation Committee is responsible for determining a suitable investment strategy using this approach. The objective is to invest the portfolio to provide a return that exceeds the real (inflation adjusted) value of capital over the longer term. The portfolio is well diversified and avoids over dependence on individual companies, industry sectors, geographic markets or asset classes.

Affinity Trust

Trustees' annual report

For the year ended 30 September 2017

In managing the investments, Affinity Trust expects its fund manager to actively manage currency risk, credit risk and counter-party risk. In order to manage inflation risk, Affinity Trust follows an investment strategy that contains a reasonable proportion of equities and real assets.

Affinity Trust reserves the right to ask its fund manager to dispose of any collective investment where it is felt that the funds represent a conflict with Affinity Trust's values.

During the year stock markets globally continued to perform well and the overall value of the investment portfolio increased by c £0.2m. Due to the market highs that had been reached a decision was taken during the year to crystallise some of the unrealised gains that had been generated and also to further de-risk the portfolio in the light of continuing political uncertainty in the US, North Korea and European Union and the potential impact of these events on future stock market levels. This was achieved through a £1.6m part disposal of the investment portfolio with the proceeds transferred to bank deposits. The remaining investments are made for the long term and short term fluctuations in value do not present a concern.

Principal risks and uncertainties

During the year the Board of Trustees has reviewed the risks facing the organisation and determined specific activities to be carried out in order to reduce and manage these risks. The Board uses an assessment method which identifies risk and then assesses the probability of the risk materialising and the impact on Affinity Trust if it did. This produces a rating for each aspect of risk which enables risks to be prioritised for action and actions are agreed which are designed to manage the risk. The principal risks and uncertainties managed during the year were:

- Local Authority planned reductions in spending and cost pressures created by the National Living Wage/Scottish Living Wage and in particular the impact of additional ongoing costs paid to staff who work sleep in shifts (see also comments in Financial Review section above). These areas are managed by regular financial forecasting and regular discussions and negotiations with local authority commissioning and contract partners to obtain additional funding where this is needed. With particular reference to the additional ongoing cost of sleep in shifts, this presented an unprecedented challenge to the organisation this year which required the organisation to make cost savings through redundancies and other measures. We were also successful in agreeing additional funding from the majority of Local Authorities and other commissioning partners and discussions continue with a number of others. As is the case with a number of other providers in the sector, we are in discussion with HMRC regarding the treatment of sleep in shifts worked in prior years under the auspices of the "Social Care Compliance Scheme" which was announced in November 2017. As there is no decision yet regarding whether these shifts should be included in the calculation of National Minimum Wage, no provision has been made for any potential back payments (see accounting note 24 Contingent Liabilities).
- Potential loss of high value contracts – this risk is largely managed by ensuring that the services we provide are of the highest quality, that we are responsive to any requests for changes to our approaches and proactive in suggesting different ways of providing support and are seen to provide value for money.
- Difficulties in recruiting and retaining staff which may have an impact on the quality of support provision – as referred to earlier in this report this is the greatest area of challenge for the organisation at the present time and continued focus is placed on our recruitment processes and engagement with staff to identify improved methods of candidate attraction and reduce the number of reasons for staff leaving the organisation. These efforts have been strengthened recently via the appointment of a specialist

Affinity Trust

Trustees' annual report

For the year ended 30 September 2017

recruitment post and additional management resources deployed to specific divisions with the very highest level of recruitment need.

- The risk of a serious incident involving people supported by the organisation – this risk is predominantly managed through rigorous internal quality control processes including self audit and an extensive programme of staff induction, training and development.

The Board of Trustees acknowledges that the work in which Affinity Trust is engaged is never risk free, and nor would the Board wish to completely avoid risk, but it is satisfied that the identified risks are being positively managed.

Plans for the future

Affinity Trust's strategic objectives remain largely unchanged from those set out at the start of the year. The focus remains on being a provider of high quality with a strong desire to support more people with learning disabilities, especially those people who may have more complex needs. There are numerous challenges facing the broader social care sector at the current time and Affinity Trust intends to continue to work with all stakeholders to tackle these and ensure that it continues to support people safely and with a personalised approach and to continue to grow in pursuit of these overall objectives for the benefit of more people with learning disabilities, their families and their friends. The challenges facing the broader sector are mainly in relation to pressures on Local Authority funding at the same time as costs are rising at above inflationary levels due to National Living Wage and sleep in cost pressures.

As well as financial challenges we recognise that opportunities are also apparent, for example the Transforming Care Programme, which will create greater opportunities for people with specialist and complex needs to be supported in the community.

The organisation's day to day focus and longer term focus will remain the recruitment and retention of the right people to provide a stable and skilled staff team that will be well trained with development opportunities provided to all those who desire further progression. We will strengthen our efforts to engage and communicate with staff through a further staff engagement survey, organisation wide conference for our managers and improved and more regular staff communications to keep people in touch with organisational progress.

We will also continue to seek opportunities to support children and young people following the success in Bradford.

Structure, governance and management

The organisation is a charitable company limited by guarantee and is registered with the Charity Commission and OSCR. Governance is led by a Board of Trustees, who are the directors of the company, and who serve fixed terms of office. The company was established and is governed by its articles of association which establish the objects and powers of the company.

The objects of the organisation are the provision of support and other services for people with learning disabilities and other groups who need support.

Affinity Trust

Trustees' annual report

For the year ended 30 September 2017

Appointment of trustees

Recruitment of new Trustees takes place through a formal open recruitment process.

Trustee induction and training

A formal induction process for new Trustees is in place which includes the visiting of services delivered and meeting all levels of staff. Annual appraisals are conducted for individual Trustees.

The Board of Trustees has established a number of Committees which receive more detailed information and provide greater scrutiny of their designated areas than would be possible by the Board itself. However, the Board continues to receive regular reports and information concerning these areas. The Committees are:

The Finance and Audit Panel which meets six times a year and reviews management accounts, draft financial statements, budgets and forecasts, compliance with financial regulations, appointment of auditor's, bankers and other external service providers, financial risk assessments, the Treasury Management and Investment Policy and Reserves Policy. The Finance and Audit Panel consists of five Trustees one of whom is the Chair as an ex-officio member;

The Asset Allocation Committee which meets twice a year to review and monitor non-cash investments in accordance with the risk tolerance set out in the Treasury Management and Investment Policy. The Asset Allocation Committee consists of four Trustees including the Chair of the Board as an ex-officio member;

The Quality Committee which meets four times a year to review quality assurance of support services, safeguarding, health and safety, staff training and other areas relating to and affecting the quality of support which is delivered. The Quality Committee consists of four Trustees including the Chair of the Board as an ex-officio member;

The Remuneration Committee which comprises of three Trustees and meets annually to review and determine the remuneration of the Senior Management Team; and

The Nominations Committee consists of four Trustees including the Chair of the Board and meets as required to facilitate the recruitment of new Trustees and other such matters.

All Committees (except the Remuneration and Nominations Committees) are attended by members of the Senior Management Team.

Trustees are remunerated and are able to claim expenses for any work undertaken on behalf of the charity and such remuneration is reviewed and determined by an independent panel. Remuneration and expenses reclaimed from the charity are set out in note 7 to the financial statements.

The Board of Trustees delegates day to day responsibility for the management of the organisation to the Chief Executive and Senior Management Team consisting of the Finance Director, Human Resources Director, two Directors of Operations and Quality and the Development Director. The company's activities are now structured into eight geographic operating divisions each headed by a Divisional Director.

Affinity Trust

Trustees' annual report

For the year ended 30 September 2017

The eight divisions and their related County (or unitary) councils for whom we provide services are:-

East – Cambridgeshire, Central Bedfordshire, Bedford Borough, Northamptonshire and Peterborough City Council

East Anglia – Norfolk, Suffolk and Southend MBC

North – Leeds, Sheffield, Bradford MBC and Tameside MBC

Scotland - South Ayrshire, Argyll and Bute

South – Hampshire, Portsmouth, Oxfordshire, Surrey, Royal Borough of Windsor & Maidenhead and Wokingham BC

South East - Kent and East Sussex

Midlands - Sandwell MBC, Herefordshire, Staffordshire and Wolverhampton City Council.

Central – Leicestershire County and Leicester City Council

Remuneration policy for key management personnel

As outlined above under Structure, Governance and Management, the Remuneration Committee is a sub committee of the Board comprised of three Trustees which meets annually to review and determine the remuneration of the Senior Management Team. The Committee uses all available relevant benchmark data to determine levels of remuneration including any comparable sector remuneration information.

Policy for employment of disabled persons

Affinity Trust aims to provide full and fair opportunities for employment of disabled applicants and to ensure, through training and practical assistance when required, their continued employment and promotion. Staff who become disabled will be given support and accorded every possible opportunity for maintaining their position or for retraining if appropriate. The company's health and safety policy ensures safe and healthy work environments for all staff. The organisation is committed to ensuring that those staff who require extra equipment, facilities or assistance, both routinely and in an emergency, will have such needs met.

All disabled employees have the opportunity to contribute to discussions about workplace health and safety through the staff forum, team meetings and in individual meetings with their manager.

Newly appointed disabled staff and staff who become disabled will receive specific information and training on all relevant matters of health and safety. Affinity Trust will ensure that the information is presented in such a way as to be readily understood.

Employee information

Affinity Trust involves its employees in the affairs, policy and performance of the organisation through a system of staff forums in each geographic division, team meetings, newsletters and staff surveys (including an organisation wide employee engagement survey launched in November 2016 and which will be repeated in 2018). The annual Business Plan is communicated to managers by the Senior Management Team either at divisional meetings each autumn or at the annual Managers Conference. Part of the feedback from the first employee engagement survey was a request by staff to receive more regular updates about the organisations activities and progress against objectives and this will be addressed during the year ahead.

Statement on Modern Slavery

Affinity Trust abhors the practice of any form of slavery and is committed to taking measures to prevent this occurring within the organisation or within any of its suppliers. The approach reflects a commitment to act

Affinity Trust

Trustees' annual report

For the year ended 30 September 2017

ethically and responsibly in all business relationships and to ensure that slavery and human trafficking are not present in any part of our business or in our supply chain. We recognise that the nature of Affinity Trust's work does not make it a high risk business, but we accept and understand our obligations under the Act and are ensuring that we comply with the requirements of the Act and fulfil our obligations. Affinity Trust is committed to ensuring that human trafficking is not taking place in any part of the organisation and is not being carried out by any of our suppliers. However, we recognise potential risk e.g. in suppliers of agency staff and are taking further measures to seek confirmation from our major suppliers that human trafficking is not taking place within their organisations.

If any supplier was found to have engaged in modern slavery Affinity Trust would immediately cease using them as a supplier. To tackle slavery and human trafficking, Affinity Trust will:

1. Identify, monitor and assess categories of third party spend most at risk from slavery and human trafficking;
2. Incorporate anti-slavery and human trafficking obligations into procurement agreements and subcontracting arrangements on a risk assessed basis;
3. Provide training to relevant employees, to ensure a high level of understanding of the risks of slavery and human trafficking;
4. Publicise our whistleblowing policy.

Affinity Trust's work on this subject is led by our Director of Human Resources and the work and our approach is implemented by a robust management structure throughout our organisation. The subject of modern slavery and human trafficking has been included in the induction training provided to all of our managers.

Statement of responsibilities of the Trustees

The Trustees (who are also directors of Affinity Trust for the purposes of company law) are responsible for preparing the Trustees' annual report including the strategic report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the Trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charitable company and of the incoming resources and application of resources, including the income and expenditure, of the charitable company for that period. In preparing these financial statements, the Trustees are required to:

- Select suitable accounting policies and then apply them consistently
- Observe the methods and principles in the Charities SORP
- Make judgements and accounting estimates that are reasonable and prudent
- State whether applicable UK Accounting Standards and statements of recommended practice 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 charity will continue in operation

The Trustees are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company 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

Affinity Trust

Trustees' annual report

For the year ended 30 September 2017

charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the Trustees are aware:

- There is no relevant audit information of which the charitable company's auditor is unaware
- The Trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information

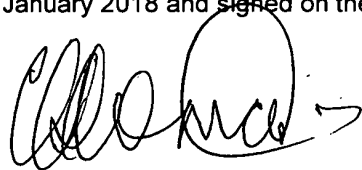
The Trustees are responsible for the maintenance and integrity of the corporate and financial information included on the charitable company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Guarantees

Members of the company guarantee to contribute an amount not exceeding £1 to the assets of the company in the event of winding up. The total number of guarantees at 30 September 2017 was 20 (2016 - 20).

Members of the Board of Trustees have no beneficial interest in the organisation

The Trustees' annual report which includes the strategic report has been approved by the Trustees on 11 January 2018 and signed on their behalf by



Malcolm Thomas
Chairman

Independent auditor's report

To the members of

Affinity Trust

Opinion

We have audited the financial statements of Affinity Trust (the 'charitable company') for the year ended 30 September 2017 which comprise the statement of financial activities, balance sheet, statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- Give a true and fair view of the state of the charitable company's affairs as at 30 September 2017 and of its 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
- Have been prepared in accordance with the requirements of the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended)

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 charitable company 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 charitable 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 Trustees' annual report, including the strategic report, other than the financial statements and our auditor's report thereon. The Trustees are responsible for

Independent auditor's report

To the members of

Affinity Trust

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 Trustees' annual report, including the strategic report, for the financial year for which the financial statements are prepared is consistent with the financial statements
- The Trustees' annual report, including the strategic report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the Trustees' annual report, including the strategic report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 and the Charities Accounts (Scotland) Regulations 2006 (as amended) require 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.

Responsibilities of Trustees

As explained more fully in the statement of Trustees' responsibilities set out in the trustees' annual report, 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, 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 charitable 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 charitable company or to cease operations, or have no realistic alternative but to do so.

Independent auditor's report

To the members of

Affinity Trust

Auditor's responsibilities for the audit of the financial statements

This report is made solely to the charitable company's members as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. Our audit work has been undertaken so that we might state to the charitable 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 charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

We have been appointed as auditor under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and under the Companies Act 2006 and report in accordance with regulations made under 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.

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Trustees
- Conclude on the appropriateness of the Trustees' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

Independent auditor's report

To the members of

Affinity Trust

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Helen Elliott (Senior statutory auditor)

11 January 2018

for and on behalf of Sayer Vincent LLP, Statutory Auditor

Invicta House, 108-114 Golden Lane, LONDON, EC1Y 0TL

Sayer Vincent LLP is eligible to act as auditor in terms of section 1212 of the Companies Act 2006

Affinity Trust

Statement of financial activities (incorporating an income and expenditure account)

For the year ended 30 September 2017

	Note	Unrestricted £	Restricted £	2017 Total £	Unrestricted £	Restricted £	2016 Total £
Income from:							
Donations and legacies	2	10	1,624	1,634	13,336	3,201	16,537
Charitable activities							
Supported living	3	42,807,357	-	42,807,357	37,600,992	-	37,600,992
Shared living	3	3,902,999	-	3,902,999	3,668,322	-	3,668,322
Outreach services	3	1,814,034	-	1,814,034	2,232,515	-	2,232,515
Supported employment & day opportunities	3	802,268	-	802,268	889,874	-	889,874
Social enterprises	3	403,698	-	403,698	408,652	-	408,652
Housing	3	393,530	-	393,530	298,498	-	298,498
Investments	4	53,525	-	53,525	81,982	-	81,982
Surplus on disposal of property		400,252	-	400,252	40,513	-	40,513
Total income		50,577,673	1,624	50,579,297	45,234,684	3,201	45,237,885
Expenditure on:							
Raising funds							
Investment manager's fees	5	17,920	-	17,920	18,579	-	18,579
Charitable activities							
Supported living	5	42,020,811	-	42,020,811	37,652,451	12,076	37,664,527
Shared living	5	3,605,804	-	3,605,804	3,536,716	-	3,536,716
Outreach services	5	1,723,523	-	1,723,523	2,118,105	-	2,118,105
Supported employment & day opportunities	5	778,961	-	778,961	758,235	-	758,235
Social enterprises	5	354,821	-	354,821	398,989	-	398,989
Housing	5	649,600	-	649,600	520,358	-	520,358
Total expenditure		49,151,440	-	49,151,440	45,003,433	12,076	45,015,509
Net income / (expenditure) before net gains on investments		1,426,233	1,624	1,427,857	231,251	(8,875)	222,376
Net gains on investments		218,885	-	218,885	338,594	-	338,594
Net movement in funds	20	1,645,118	1,624	1,646,742	569,845	(8,875)	560,970
Reconciliation of funds:							
Total funds brought forward		10,430,797	303,752	10,734,549	9,860,952	312,627	10,173,579
Total funds carried forward		12,075,915	305,376	12,381,291	10,430,797	303,752	10,734,549

All of the above results are derived from continuing activities. There were no other recognised gains or losses other than those stated above. Movements in funds are disclosed in Note 20 to the financial statements.

Affinity Trust

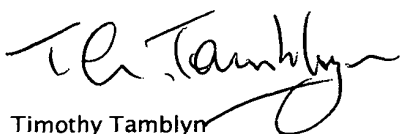
Balance sheet

Company no. 6893564

As at 30 September 2017

	Note	£	2017 £	£	2016 £
Fixed assets:					
Housing properties	11		3,983,074		4,294,031
Other tangible fixed assets	12		117,418		127,971
Investments	13		1,442,852		2,740,264
			<u>5,543,344</u>		<u>7,162,266</u>
Current assets:					
Stocks	14	83,356		83,702	
Debtors	15	6,870,046		6,943,969	
Cash at bank and in hand		5,612,758		2,617,454	
			<u>12,566,160</u>	<u>9,645,125</u>	
Liabilities:					
Creditors: amounts falling due within one year	16	4,398,197		4,555,921	
Net current assets			<u>8,167,963</u>		<u>5,089,204</u>
Total assets less current liabilities			<u>13,711,307</u>		<u>12,251,470</u>
Creditors: amounts falling due after one year	18		1,330,016		1,516,921
Total net assets			<u><u>12,381,291</u></u>		<u><u>10,734,549</u></u>
The funds of the charity:	20				
Restricted income funds			305,376		303,752
Unrestricted income funds:					
Designated funds		2,666,727		2,989,002	
General funds		9,409,188		7,441,795	
Total unrestricted funds			<u>12,075,915</u>		<u>10,430,797</u>
Total charity funds			<u><u>12,381,291</u></u>		<u><u>10,734,549</u></u>

Approved by the trustees on 11 January 2018 and signed on their behalf by



Timothy Tamblyn
Trustee and Chair of the Finance and Audit Panel

Affinity Trust

Statement of cash flows

For the year ended 30 September 2017

	Note	2017 £	£	2016 £	£
Cash flows from operating activities					
Net cash (used in) operating activities	21		1,013,076		(522,932)
Cash flows from investing activities:					
Dividends from investments		51,623		65,100	
Interest received		1,902		16,882	
Interest paid		(26,535)		(33,083)	
Proceeds from the sale of property fixed assets		679,552		159,516	
Proceeds from the sale of non-property fixed assets		5,131		-	
Purchase of fixed assets		(58,514)		(420,192)	
Proceeds from sale of investments		1,845,921		641,307	
Purchase of investments		(412,623)		(599,113)	
Net cash (used in) investing activities			2,086,457		(169,583)
Cash flows from financing activities:					
Repayments of borrowing		(187,228)		(179,067)	
Cash inflows from new borrowing		-		277,000	
Net cash provided by / (used in) financing activities			(187,228)		97,933
Change in cash and cash equivalents in the year			2,912,305		(594,582)
Cash and cash equivalents at the beginning of the year			2,617,454		3,300,858
Change in cash and cash equivalents in respect of cash held by investment manager			82,999		(88,822)
Cash and cash equivalents at the end of the year			5,612,758		2,617,454

1 Accounting policies

a) Statutory information

Affinity Trust is a charitable company limited by guarantee and is incorporated in England & Wales and Scotland. The registered office address is 1 St Andrew's Court, Wellington Street, Thame, OX9 3WT

b) Basis of preparation

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015) – (Charities SORP FRS 102), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (August 2014) and the Companies Act 2006.

Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy or note.

c) Public benefit entity

The charitable company meets the definition of a public benefit entity under FRS 102.

d) Going concern

The trustees consider that there are no material uncertainties about the charitable company's ability to continue as a going concern.

Key judgements that the charitable company has made which have a significant effect on the accounts include the impact of potential future reductions in Local Authority funding that may or may not then have an impact on contractual hourly rates; the impact of increases in future costs such as the national living wage; and the potential loss of contracts following retendering processes.

The trustees do not consider that there are any sources of estimation uncertainty, including from reviewing any impact of the contingent liabilities in note 24, at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period.

e) Income

Income is recognised when the charity has entitlement to the funds, any performance conditions attached to the income have been met, it is probable that the income will be received and that the amount can be measured reliably.

Income from government and other grants, whether 'capital' grants or 'revenue' grants, is recognised when the charity has entitlement to the funds, any performance conditions attached to the grants have been met, it is probable that the income will be received and the amount can be measured reliably and is not deferred.

Income received in advance of the provision of a specified service is deferred until the criteria for income recognition are met.

f) Income from investments

Interest on funds held on deposit is included when receivable and the amount can be measured reliably by the charity; this is normally upon notification of the interest paid or payable by the bank.

Dividends are recognised once the dividend has been declared and notification has been received of the dividend due. This is normally upon notification by our investment advisor of the dividend yield of the investment portfolio.

1 Accounting policies (continued)

g) Fund accounting

Restricted funds are to be used for specific purposes as laid down by the donor. Expenditure which meets these criteria is charged to the fund.

Unrestricted funds are donations and other incoming resources received or generated for the charitable purposes.

Designated funds are unrestricted funds earmarked by the trustees for particular purposes.

h) Expenditure and irrecoverable VAT

Expenditure is recognised once there is a legal or constructive obligation to make a payment to a third party, it is probable that settlement will be required and the amount of the obligation can be measured reliably.

Expenditure is classified under the following activity headings:

- Costs of raising funds relate to the costs incurred by the charitable company in generating investment income via its investment portfolio managed by Coutts & Co.
- Expenditure on charitable activities includes the costs of delivering the supported living, registered care and outreach/opportunities services in addition to the cost of the social enterprise and housing activities.

Irrecoverable VAT is charged as a cost against the activity for which the expenditure was incurred.

i) Allocation of support and governance costs

Expenditure is allocated to the particular activity where the cost relates directly to that activity. However, the cost of overall direction and administration of each activity, comprising the salary and overhead costs of the central function is apportioned based on staff cost attributable to each activity.

Governance costs are the costs associated with the governance arrangements of the charity. These costs are associated with constitutional and statutory requirements and include any costs associated with the strategic management of the charity's activities.

j) Operating leases

Rental charges are charged on a straight line basis over the term of the lease.

k) Tangible fixed assets

Items of equipment are capitalised where the purchase price exceeds £2,000. Depreciation costs are allocated to activities on the basis of the use of the related assets in those activities.

Where fixed assets have been revalued, any excess between the revalued amount and the historic cost of the asset will be shown as a revaluation reserve in the balance sheet.

Depreciation is provided at rates calculated to write down the cost of each asset to its estimated residual value over its expected useful life on a straight line basis. The depreciation rates in use are as follows:

● Freehold property	0%
● Property alterations	10%
● Cars	25% – 33%
● Office equipment	10% – 50%

A rate of 0% depreciation is provided on freehold property because the company has a policy to maintain the properties to a high standard through a continuing programme of refurbishment and maintenance. Consequently the lives of the properties and their residual values are such that any depreciation charge would be immaterial.

An annual impairment review is undertaken in accordance with Financial Reporting Standard 102. When the carrying amount of the asset is higher than the recoverable amount the asset is written down. Should the recoverable amount of the asset then exceed its carrying amount, the impairment provision will be reversed.

1 Accounting policies (continued)

l) Listed investments

Investments are a form of basic financial instrument and are initially recognised at their transaction value and subsequently measured at their fair value as at the balance sheet date using the closing quoted market price. Investment gains and losses, whether realised or unrealised, are combined and shown in the heading 'Net gains/(losses) on investments' in the statement of financial activities.

m) Stocks

Stocks are stated at the lower of cost and net realisable value. In general, cost is determined on a first in first out basis and includes transport and handling costs. Net realisable value is the price at which stocks can be sold in the normal course of business after allowing for the costs of realisation. Provision is made where necessary for obsolete, slow moving and defective stocks.

n) Debtors

Trade and other debtors are recognised at the settlement amount due after any trade discount offered. Prepayments are valued at the amount prepaid net of any trade discounts due.

o) Cash at bank and in hand

Cash at bank and cash in hand includes cash and short term highly liquid investments with a short maturity of three months or less from the date of acquisition or opening of the deposit or similar account. Cash balances exclude any funds held by the charitable company on behalf of the people supported.

p) Creditors

Creditors and provisions are recognised where the charity has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Creditors and provisions are normally recognised at their settlement amount after allowing for any trade discounts due.

q) 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 with the exception of bank loans which are subsequently measured at amortised cost using the effective interest method.

r) Pensions

Affinity Trust operates a defined contribution pension scheme. The assets of the scheme are held separately from those of Affinity Trust in an independently administered fund. The pension cost charge represents contributions payable under the scheme by Affinity Trust to the fund. Affinity Trust has no liability under the scheme other than for the payment of those contributions.

Certain employees are members of the NHS Pension Scheme, a defined benefit scheme. The company makes contributions on behalf of employees who are members in accordance with the requirements of the scheme. Other than those contributions there is no additional liability to Affinity Trust in respect of the scheme (See details in note 25).

In addition the charity makes contributions to the West Yorkshire Pension Fund and the Essex Pension Fund (both defined benefit schemes). The employer's contributions are determined in relation to the current service period only, and consequently the charity accounts for contributions to the schemes as if they were defined contribution schemes (See details in note 25).

s) Contingent liabilities

The payment of interest accrued on grants payable to the Secretary of State for Health is contingent on Affinity Trust intending to sell the properties purchased with the grants. The accrued interest is therefore disclosed as a contingent liability. The substance of the agreements Affinity Trust has with the Secretary of State for Health is for the Secretary of State to receive their share of the increase in the value of the properties (see note 24).

Affinity Trust

Notes to the financial statements

For the year ended 30 September 2017

2 Income from donations and legacies

	Unrestricted £	Restricted £	2017 Total £	2016 Total £
Donations	10	1,624	1,634	16,537
	10	1,624	1,634	16,537

3 Income from charitable activities

	Unrestricted £	Restricted £	2017 Total £	2016 Total £
Supported living				
Local and NHS authorities	41,992,336	–	41,992,336	36,826,217
Supporting People	1,922	–	1,922	–
Contributions from the people we support	813,099	–	813,099	774,775
Sub-total for Supported living	42,807,357	–	42,807,357	37,600,992
Shared living				
Local authorities	3,890,765	–	3,890,765	3,638,762
Contributions from the people we support	12,234	–	12,234	29,560
Sub-total for Shared living	3,902,999	–	3,902,999	3,668,322
Outreach services				
Local authorities	1,677,655	–	1,677,655	1,878,898
Supporting People	–	–	–	183,897
Contributions from the people we support	136,379	–	136,379	169,720
Sub-total for Outreach services	1,814,034	–	1,814,034	2,232,515
Supported employment & day opportunities				
Local authorities	622,840	–	622,840	704,297
Contributions from the people we support	179,428	–	179,428	185,577
Sub-total for Supported employment & day opportunities	802,268	–	802,268	889,874
Social enterprises				
Trading sales	403,698	–	403,698	408,652
Sub-total for Social enterprises	403,698	–	403,698	408,652
Housing				
Local authorities	47,352	–	47,352	238,651
Housing benefit	200,483	–	200,483	59,847
Contributions from the people we support	145,695	–	145,695	–
Sub-total for Housing	393,530	–	393,530	298,498
Total income from charitable activities	50,123,886	–	50,123,886	45,098,853

Affinity Trust

Notes to the financial statements

For the year ended 30 September 2017

4 Income from investments

	Unrestricted £	Restricted £	2017 Total £	2016 Total £
Bank interest	1,902	–	1,902	16,882
Income from investments	51,623	–	51,623	65,100
	<u>53,525</u>	<u>–</u>	<u>53,525</u>	<u>81,982</u>

Affinity Trust

Notes to the financial statements

For the year ended 30 September 2017

5 Analysis of expenditure

	Cost of raising funds £	Charitable activities							2017 Total £	2016 Total £	
		Supported living £	Shared living £	Outreach services £	Supported employment & day opportunities £	Social enterprises £	Housing £	Support costs £			Governance costs £
Staff costs (Note 7)	-	34,875,956	2,732,565	1,379,777	568,726	113,313	-	4,039,971	52,727	43,763,035	39,818,902
Training	-	494,031	37,457	22,956	10,559	2,062	-	(69,008)	2,624	500,681	680,266
Recruitment	-	153,331	14,385	4,188	2,961	529	-	78,469	-	253,863	357,195
Insurance	-	130,740	10,664	6,375	2,348	449	-	14,827	236	165,639	244,859
Transport and travel costs	-	328,979	106,491	62,969	25,102	2,690	-	269,241	20,677	816,149	809,585
Property related costs	-	303,066	131,292	14,133	56,788	23,940	626,298	778,638	272	1,934,427	1,388,293
Office costs	-	186,710	17,378	18,280	6,163	1,499	-	231,713	1,823	463,566	685,366
Regulatory, advisory & professional fees payable	17,920	96,466	17,759	3,904	1,714	5,888	19,497	387,135	29,771	580,054	410,993
Trading purchases	-	-	-	-	-	177,085	-	-	-	177,085	197,171
Activities	-	38,814	18,235	(863)	10,127	3,187	(180)	2,244	-	71,564	100,353
Food and household goods	-	65,477	97,533	234	3,205	3,976	-	31,987	-	202,412	177,664
Sundries	-	(7,614)	2,487	(281)	3,946	2,805	3,985	216,727	910	222,965	144,862
	17,920	36,665,956	3,186,246	1,511,672	691,639	337,423	649,600	5,981,944	109,040	49,151,440	45,015,509
Support costs	-	5,258,993	412,047	208,058	85,759	17,087	-	(5,981,944)	-	-	-
Governance costs	-	95,862	7,511	3,793	1,563	311	-	-	(109,040)	-	-
Total expenditure 2017	17,920	42,020,811	3,605,804	1,723,523	778,961	354,821	649,600	-	-	49,151,440	45,015,509
Total expenditure 2016	18,579	37,664,527	3,536,716	2,118,105	758,235	398,989	520,358	-	-	45,015,509	

Affinity Trust

Notes to the financial statements

For the year ended 30 September 2017

6 Net income / (expenditure) for the year

This is stated after charging / (crediting):

	2017 £	2016 £
Depreciation	100,724	95,215
Profit on disposal of non-property fixed assets	(5,131)	-
Interest payable on long term loans	26,535	33,083
Surplus on disposal of properties	(400,252)	(40,513)
Operating lease rentals:		
Property	565,573	447,146
Other	132,322	73,818
Auditors' remuneration (excluding VAT):		
Audit	18,500	18,000
Other services	-	3,000

7 Analysis of staff costs, trustee remuneration and expenses, and the cost of key management personnel

Staff costs were as follows:

	2017 £	2016 £
Salaries and wages	36,535,737	33,608,009
Redundancy and termination costs	72,570	-
Social security costs	2,870,357	2,473,221
Employer's contribution to defined contribution pension schemes	422,674	366,493
Operating costs of defined benefit pension schemes	542,875	504,295
	40,444,213	36,952,018
Agency costs	3,318,822	2,866,884
	43,763,035	39,818,902

The following number of employees received employee benefits (excluding employer's national insurance and employer pension costs) during the year between:

	2017 No.	2016 No.
£60,000 – £69,999	-	1
£80,000 – £89,999	4	2
£110,001 – £120,000	-	1
£120,001 – £130,000	1	-

The total employee benefits (including employer pension contributions and employer's national insurance) of the key management personnel were £578,164 (2016: £549,323). In addition, the following was paid to trustees:

	2017 £	2016 £
Board of trustees' remuneration	52,127	50,297
Board of trustees' expenses	23,682	20,932
	75,809	71,229

Affinity Trust

Notes to the financial statements

For the year ended 30 September 2017

7 Analysis of staff costs, trustee remuneration and expenses, and the cost of key management personnel (continued)

Board members were paid £4,430 each (2016: £4,293). Board members who are also members of the Finance and Audit Panel were paid £5,200 each (2016: £5,050) and Board members who are also members of the Quality Committee were paid £4,945 each (2016: £4,670). The Chairman was paid £8,147 (2016: £7,878). Board members are paid with the approval of the Charity Commission.

Travel, subsistence, phone and IT expenses were incurred on behalf of 9 (2016: 10) Trustees in the course of their duties.

Affinity Trust holds professional indemnity insurance which includes indemnity for members of the Board of Trustees and officers. This policy also includes fidelity guarantee insurance.

Individual amounts paid to each Trustee for the current and prior year were as follows:-

	2017 £	2016 £
M Thomas (Chairman)	8,147	7,878
K Cameron (Vice Chair)	5,200	5,050
S Ross	4,945	4,670
T Tamblyn	5,200	5,050
D Walden	5,200	5,050
A Taylor	4,430	4,293
J Hawthorne	5,200	5,050
A Anketell	4,430	4,293
M Moody	4,945	4,670
C Gabriel	4,430	4,293
	<u>52,127</u>	<u>50,297</u>

8 Staff numbers

The average number of employees (head count based on number of staff employed and number of full time equivalents) during the year was as follows:

	2017		2016	
	No.	Fte.	No.	Fte.
Shared living	154	113	113	93
Supported living	1,636	1,345	1,514	1,240
Outreach services	110	80	104	85
Supported employment & day opportunities	53	39	42	34
Social enterprises	11	8	12	10
Housing	1	1	1	1
Support	109	97	118	96
	<u>2,074</u>	<u>1,683</u>	<u>1,904</u>	<u>1,559</u>

9 Related party transactions

There are no related party transactions to disclose for 2017 (2016: none) other than those disclosed in note 7.

There are no donations from related parties which are outside the normal course of business and no restricted donations from related parties.

10 Taxation

The charitable company is exempt from corporation tax as all its income is charitable and is applied for charitable purposes.

Affinity Trust

Notes to the financial statements

For the year ended 30 September 2017

11 Tangible fixed assets

Housing Assets Owned Outright			
	Freehold property £	Alterations £	Total £
Cost			
At the start of the year	3,584,269	396,129	3,980,398
Additions in year	-	14,000	14,000
Disposals in year	(264,000)	(77,945)	(341,945)
At the end of the year	3,320,269	332,184	3,652,453
Depreciation			
At the start of the year	-	281,878	281,878
Charge for the year	-	20,719	20,719
Eliminated on disposal	-	(62,638)	(62,638)
At the end of the year	-	239,959	239,959
Net book value			
At the end of the year	3,320,269	92,225	3,412,494
At the start of the year	3,584,269	114,251	3,698,520

Other Housing Assets			
	Freehold property £	Alterations £	Total £
Cost			
At the start of the year	755,000	249,310	1,004,310
Additions in year	-	-	-
At the end of the year	755,000	249,310	1,004,310
Depreciation			
At the start of the year	229,282	179,517	408,799
Charge for the year	-	24,931	24,931
At the end of the year	229,282	204,448	433,730
Net book value			
At the end of the year	525,718	44,862	570,580
At the start of the year	525,718	69,793	595,511

Housing assets which are the subject of a legal charge in favour of the Secretary of State are shown separately from those which are owned outright by Affinity Trust. A review was undertaken but no additional impairment provision was needed.

Total Housing Assets			
	Freehold property £	Alterations £	Total £
Net book value			
At the end of the year	3,845,987	137,087	3,983,074
At the start of the year	4,109,987	184,044	4,294,031

Affinity Trust

Notes to the financial statements

For the year ended 30 September 2017

12 Other tangible fixed assets

	Cars and office equipment		
	Cars	Office equipment	Total
	£	£	£
Cost or valuation			
At the start of the year	106,905	469,293	576,198
Additions in year	–	44,514	44,514
Disposals in year	(22,724)	–	(22,724)
At the end of the year	84,181	513,807	597,988
Depreciation			
At the start of the year	100,488	347,732	448,220
Charge for the year	3,916	51,158	55,074
Eliminated on disposal	(22,724)	–	(22,724)
At the end of the year	81,680	398,890	480,570
Net book value			
At the end of the year	2,501	114,917	117,418
At the start of the year	6,410	121,561	127,971

All of the above assets are used for charitable purposes.

13 Investments

	2017	2016
	£	£
Fair value at the start of the year	2,636,617	2,340,217
Additions	412,623	599,113
Disposal proceeds	(1,845,921)	(641,307)
Net gain / (loss) on change in fair value	218,885	338,594
Cash balance held by investment manager	1,422,204	2,636,617
	20,648	103,647
Fair value at the end of the year	1,442,852	2,740,264
Historic cost at the end of the year	1,290,237	2,635,382
Investments comprise:		
	2017	2016
	£	£
UK/Europe/North America/Emerging markets common investment funds	1,422,204	2,636,617
Cash	20,648	103,647
	1,442,852	2,740,264

14 Stocks

	2017	2016
	£	£
Stocks held at Englefield Garden Centre	83,356	83,702
	83,356	83,702

Affinity Trust

Notes to the financial statements

For the year ended 30 September 2017

15 Debtors

	2017 £	2016 £
Trade debtors	4,578,583	4,446,153
Other debtors	138,481	93,375
Prepayments and accrued income	2,152,982	2,404,441
	<u>6,870,046</u>	<u>6,943,969</u>

With the exception of listed investments, all of the charity's financial instruments, both assets and liabilities, are measured at amortised cost. The carrying values of these are shown above and also in notes 16 and 18 below.

16 Creditors: amounts falling due within one year

	2017 £	2016 £
Bank loans	187,376	187,699
Trade creditors	531,486	579,846
Taxation and social security	755,874	671,994
Other creditors	367,517	477,575
Accruals and deferred income	2,555,944	2,638,807
	<u>4,398,197</u>	<u>4,555,921</u>

17 Deferred income

Deferred income comprises income that has been invoiced in advance or where credit notes are due.

	2017 £	2016 £
Balance at the beginning of the year	964,062	677,218
Amount released to income in the year	(964,062)	(677,218)
Amount deferred in the year	725,918	964,062
	<u>725,918</u>	<u>964,062</u>

18 Creditors: amounts falling due after one year

	2017 £	2016 £
Bank loans	866,216	1,053,121
Repayable grants:		
Secretary of State for Health	463,800	463,800
	<u>1,330,016</u>	<u>1,516,921</u>

Bank loans are secured by first mortgages held by NatWest plc on Affinity Trust's housing properties owned outright. Interest is accruing on the NatWest loans at rates between 1.25% and 2.25% above base rate.

Amounts owed to the Secretary of State for Health are secured by a second charge on the properties shown as Other Housing Assets in note 11. Any ultimate sale proceeds from these houses will be used to repay the Secretary of State for Health to a maximum of the original input in addition to rolled up compound interest of four percent above bank base rate.

Affinity Trust

Notes to the financial statements

For the year ended 30 September 2017

18 Creditors: amounts falling due after one year (continued)

Maturity of total debt is as follows

	2017 £	2016 £
In one year or less	187,376	187,699
Between one and two years	411,620	191,708
Between two and five years	237,433	497,597
Over five years	680,963	827,616
	<u>1,517,392</u>	<u>1,704,620</u>

19a Analysis of net assets between funds (current year)

	General unrestricted £	Designated £	Restricted £	Total funds £
Tangible fixed assets	-	3,800,492	300,000	4,100,492
Investments	1,442,852	-	-	1,442,852
Net current assets	7,667,831	494,756	5,376	8,167,963
Creditors due after more than one year	-	(1,330,016)	-	(1,330,016)
Net assets at 30 September 2017	<u>9,110,683</u>	<u>2,965,232</u>	<u>305,376</u>	<u>12,381,291</u>

19b Analysis of net assets between funds (prior year)

	General unrestricted £	Designated £	Restricted £	Total funds £
Tangible fixed assets	-	4,122,002	300,000	4,422,002
Investments	2,740,264	-	-	2,740,264
Net current assets	4,701,531	383,921	3,752	5,089,204
Defined benefit pension asset / (liability)	-	(1,516,921)	-	(1,516,921)
Net assets at 30 September 2016	<u>7,441,795</u>	<u>2,989,002</u>	<u>303,752</u>	<u>10,734,549</u>

Affinity Trust

Notes to the financial statements

For the year ended 30 September 2017

20a Movements in funds (current year)

	At the start of the year £	Income & gains £	Expenditure & losses £	Transfers £	At the end of the year £
Restricted funds:					
Ayrshire Activity club	3,025	-	-	-	3,025
Score Fund	727	624	-	-	1,351
Glen Road	300,000	-	-	-	300,000
Reading Services	-	1,000	-	-	1,000
Total restricted funds	303,752	1,624	-	-	305,376
Unrestricted funds:					
Designated funds:					
Property improvement	117,440	-	(117,440)	-	-
Property fund	2,171,971	-	-	-	2,171,971
Other tangible fixed assets	127,971	-	-	-	127,971
Project management fund	471,629	-	(111,735)	-	359,894
Systems development fund	405	-	-	(405)	-
Assistive technology fund	13,439	-	(8,697)	-	4,742
Research fund	75,000	-	-	(75,000)	-
Midlands Rugby Fund	11,147	-	(8,998)	-	2,149
Total designated funds	2,989,002	-	(246,870)	(75,405)	2,666,727
General funds	7,441,795	50,796,558	(48,904,570)	75,405	9,409,188
Total unrestricted funds	10,430,797	50,796,558	(49,151,440)	-	12,075,915
Total funds at 30 September 2017	10,734,549	50,798,182	(49,151,440)	-	12,381,291

Affinity Trust

Notes to the financial statements

For the year ended 30 September 2017

20b Movements in funds (prior year)

	At the start of the year £	Income & gains £	Expenditure & losses £	Transfers £	At the end of the year £
Restricted funds:					
Ayrshire Activity club	3,025	-	-	-	3,025
Tudor House Improvement	9,415	-	(9,415)	-	-
Score Fund	187	3,201	(2,661)	-	727
Glen Road	300,000	-	-	-	300,000
Total restricted funds	312,627	3,201	(12,076)	-	303,752
Unrestricted funds:					
Designated funds:					
Property improvement	117,440	-	-	-	117,440
Property fund	2,230,529	-	(44,780)	(13,778)	2,171,971
Other tangible fixed assets	78,809	-	(50,435)	99,597	127,971
Project management fund	662,796	-	(191,167)	-	471,629
Systems development fund	94,516	-	(94,111)	-	405
Assistive technology fund	16,322	-	(2,883)	-	13,439
Research fund	75,000	-	-	-	75,000
Midlands Rugby Fund	20	11,250	(123)	-	11,147
Total designated funds	3,275,432	11,250	(383,499)	85,819	2,989,002
General funds	6,585,520	45,562,028	(44,619,934)	(85,819)	7,441,795
Total unrestricted funds	9,860,952	45,573,278	(45,003,433)	-	10,430,797
Total funds at 30 September 2016	10,173,579	45,576,479	(45,015,509)	-	10,734,549

Purposes of restricted funds

Ayrshire Activity Club: A club set up for the use of people with learning disabilities in Ayr.

Tudor House Improvement: A grant that was to be used by one person we support at this service but now refunded.

Score Fund: Donations to provide opportunities for People with Learning Disabilities.

Little Glen Road: Grant given to cover property alterations to make suitable for People with Learning Disabilities.

Reading services: A donation was made by a private individual to be used for any purpose within the Reading services.

Purposes of designated funds

Property improvement: This fund has been set aside for major repairs of properties.

Property fund: This fund accounts for the net assets held as property and the outstanding loans/repayable grants due on the property. The annual property depreciation expense is charged to the fund, and net loan repayment is transferred into the fund.

Other tangible fixed assets: This fund is set aside to account for the fixed assets held excluding properties. The annual depreciation expense is charged to this fund.

Affinity Trust

Notes to the financial statements

For the year ended 30 September 2017

20 Movements in funds (continued)

Purposes of designated funds (continued)

Project management fund: This fund has been set aside to provide resources to manage growth and planned changes in the organisation.

Systems development fund: This fund was set up to provide for the set up of a new IT system to assist the organisation monitor and measure quality and performance.

Assistive technology fund: This fund was set up to promote the introduction of assistive technology within services for the benefit of people supported and where funds are not available to meet the cost of the technology.

Research fund – This fund was set up to extend the organisation's knowledge base in relation to supporting people with more complex needs.

Midlands Rugby Fund: Donations to provide opportunities for People with Learning Disabilities.

Fair value reserve

This is now included within general funds.

21 Reconciliation of net income / (expenditure) to net cash flow from operating activities

	2017 £	2016 £
Net income / (expenditure) for the reporting period (as per the statement of financial activities)	1,646,742	560,970
Gains on investments	(218,885)	(338,594)
Dividends and interest from investments	(53,525)	(81,982)
Interest payable	26,535	33,083
Depreciation charges	100,724	95,215
Profit on the disposal of properties	(400,252)	(40,513)
Profit on the disposal of fixed assets	(5,131)	-
Decrease in stocks	346	3,429
Decrease / (increase) in debtors	73,923	(1,868,723)
(Decrease) / increase in creditors	(157,401)	1,114,183
Net cash provided by / (used in) operating activities	1,013,076	(522,932)

22 Operating lease commitments

The charity's total future minimum lease payments under non-cancellable operating leases is as follows for each of the following periods

	Land and buildings		Other items	
	2017 £	2016 £	2017 £	2016 £
Less than one year	248,042	258,464	91,231	24,836
One to two years	148,191	174,551	74,520	18,725
Two to five years	192,459	139,153	48,163	23,604
Over five years	79,757	68,000	-	-
	668,449	640,168	213,914	67,165

23 Post balance sheet events

Subsequent to the year end, two wholly owned properties were sold for proceeds of £525,000.

Affinity Trust

Notes to the financial statements

For the year ended 30 September 2017

24 Contingent liabilities

Affinity Trust has a contingent liability with regard to grants used to purchase six properties. Affinity Trust will be liable to pay the interest accrued on grants to the Secretary of State for Health if the properties are sold, but only to the maximum amount of any proceeds received.

The substance of the agreements Affinity Trust has with the Secretary of State for Health is for the Secretary of State for Health to retain ownership over any change in the value of the properties and consequently the interest paid is offset against the sale proceeds.

At 30 September 2017, the contingent liability due to the Secretary of State for Health in the event of Affinity Trust selling all of the properties is:

	2017 £	2016 £
Accrued interest payable to the Secretary of State for Health	<u>2,294,521</u>	<u>2,285,249</u>

As referred to in the Trustees' report, in common with other social care providers there is a risk in relation to HMRC's treatment of sleep in shifts under the National Minimum Wage regulations. It has not yet been determined by HMRC whether sleep in shifts undertaken by Affinity Trust staff need to be included in the calculation of National Minimum Wage. As a result of this uncertainty, liability cannot be confirmed or quantified at the date of signing these accounts.

25 Defined benefit pension schemes

NHS Pension Scheme

The NHS Pension Scheme is an unfunded, defined benefit scheme that covers NHS employers, General Practices and other bodies, allowed under the direction of the Secretary of State, in England and Wales. As a consequence it is not possible for Affinity Trust to identify its share of the underlying scheme. Affinity Trust has no liability in respect of the scheme except in relation to the ongoing employers contribution rate which is currently 14.3%.

The most recently published full valuation report was based on data at 31 March 2012 (prior to this, the last published valuation was as at March 2004) and published in 2014.

The employer's contribution rate payable is 14.3% (2016: 14.3%) of pensionable pay with employees contributing between 5 and 8.5% of pensionable pay depending on the level of their pay. The employer's contribution rate increased to 14.3% with effect from 1 April 2015 as a result of the notional deficit at March 2012 (see below).

There are 1.3 million contributors to the scheme, 700,000 pensions in payment and 519,000 deferred pensioners. Notional liabilities of the Scheme at 31 March 2012 were £240.4bn with notional assets of £230.3bn giving a notional past service deficit of £10.1bn.

Employers' pension contribution costs are applied to resources expended as and when they become due. On advice from the Actuary the contribution may be varied from time to time to reflect changes in the Scheme's liabilities. The total employer contribution payable in the year ended 30 September 2017 by Affinity Trust was £502,300 (2016 – £463,295). Employees pay contributions of 6.5% (manual staff 5%) of their pensionable pay.

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25 Defined benefit pension schemes (continued)

The scheme is a "final salary" scheme. Following consultation in 2006, a number of changes to the NHS Pension Scheme were introduced. On 1 April 2008 a new "2008 Section" of the Scheme was set up for new joiners on or after 1 April 2008. Joiners prior to this date are in the "1995 Section". For 1995 Section members, annual pensions are based on 1/80th of the best of the last three years' pensionable pay for each year of service. For members of the 2008 section, pensions are based on 1/60th of the average of the best three consecutive years in the last ten. A lump sum normally equivalent to 3 years' pension is payable on retirement; for members of the 2008 section the lump sum will be a maximum of 25% of the value of their fund at retirement. Annual increases are applied to pension payments at rates defined by the Pensions (Increase) Act 1971, and have historically been based on changes in Retail Prices in the twelve months ending 30 September in the previous calendar year. From 2011/12, the Consumer Price Index replaced the Retail Price Index. On death, a pension of 50% of the member's pension is normally payable to the surviving spouse.

Early payment of a pension, with enhancement in some circumstances, is available to members of the Scheme who are permanently incapable of fulfilling their duties effectively through illness or infirmity. A death gratuity of twice final year's pensionable pay for death in service, and five times their annual pension (subject to certain conditions) for death after retirement, is payable.

The scheme provides the opportunity to members to increase their benefits through money purchase Additional Voluntary Contributions (AVCs) provided by an approved panel of life companies. Under the arrangement Affinity Trust can make contributions to enhance an employee's pension benefits. The benefits payable relate directly to the value of the investments made.

West Yorkshire Pension Fund

Following the transfer of services from the Bradford and District Care Trust in December 2011, 12 employees retained their membership of the West Yorkshire Pension Fund (WYPF) which is a defined benefit scheme and operates under the provisions of the Local Government Pension Scheme (Administration) Regulations 2008 (as amended). The employer's normal contribution rate is 15.8% of salary and employees pay 6.5%. Total employer contributions to the WYPF for the year ended September 2017 were £nil (2016: £nil). Affinity Trust and the City of Bradford Metropolitan District Council entered into an Admission Agreement and a separate commercial contract dated December 2012 and the substance of these agreements in relation to pension costs is that Affinity Trust's only liability is to pay the monthly employer contributions as determined from time to time by the Scheme actuary. Any actuarial deficit relating to the 12 employees at the end of the contract remains with the Council. The financial statements therefore reflect only the value of the monthly employer contributions described above. Following a triannual actuarial revaluation of the scheme, Affinity Trust were advised that an actuarial surplus had accumulated since the contract commenced and as a result no monthly contributions were required to be paid after March 2014.

Essex Pension Fund

Following the transfer of services from Southend On Sea Borough Council in May 2014, 11 employees (9 active members, 2 non-active members) retained their membership of the Essex Pension Fund which is a defined benefit scheme and operates under the provisions of the Local Government Pension Scheme (Administration) Regulations 2008 (as amended). Affinity Trust pays an employer's contribution of 22.2% of salary and employees pay 6.5%. Total employer contributions to the Essex Pension Fund for the year ended September 2017 were £40,575 (2016 £41,000). The outstanding amount at 30 September was £3,466 (2016 £4,254). Affinity Trust, Essex County Council and Southend on Sea Borough Council entered into an Admission Agreement and a separate commercial contract and the substance of these agreements in relation to pension costs is that Affinity Trust's only liability is to pay the monthly employer contributions as determined from time to time by the Scheme actuary (currently 22.2%). Any actuarial deficit relating to the employees at the end of the contract remains with the Council (with the exception of any strain costs caused by early retirement through redundancy, and no redundancies occurred during the year). The financial statements therefore reflect only the value of the monthly employer contributions described above. In connection with the process for gaining Admitted Body status for the Essex Pension Fund, a commercial bond with a value of £201,000 was agreed to underwrite any outstanding pension related payments to the Essex Pension Fund. The bond agreement is a tripartite agreement between Affinity Trust, Natwest Bank plc and Essex County Council (the Administering Authority for the Essex Pension Fund) and as security for the bond Natwest Bank plc has a floating charge over a number of Affinity Trust's freehold properties.

26 Legal status of the charity

The charity is a company limited by guarantee and has no share capital. The liability of each member in the event of winding up is limited to £1.