

Company number: 06893564
Charity number: 1139891
OSCR number: SC043881

Affinity Trust

Report and financial statements
For the year ended 30 September 2020



Affinity Trust

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For the year ended 30 September 2020

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Affinity Trust

Reference and administrative information

For the year ended 30 September 2020

Status	The organisation is a company limited by guarantee, incorporated on 30 April 2009 in the name of Affinity Trust.	
Company number	06893564	
Charity number	1139891	
OSCR number	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 N Brittle S Hubble V Neish D Leedham A Beland A Kippax	Chief Executive and Company Secretary Development Director Finance Director Director of Operations and Quality (resigned 12 June 2020) Director of Operations and Quality Director of Operations and Quality (appointed 1 July 2020) 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: T Barron K Cameron J Edwards J Hawthorne M Moody A Anketell Dr S Ross T Tamblyn D Walden S Rees H Burgess	Chair Vice Chair, Chair of the Remuneration, Asset Allocation and Nominations Committees. Retired 30 September 2020 Chair of the Quality Committee Chair of the Finance and Audit Panel Appointed 12 June 2020

Affinity Trust

Reference and administrative information

For the year ended 30 September 2020

Bankers	Bank of Scotland Phase 2 Canons House Canons Way Bristol BS99 7LB
	NatWest 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	RSM UK Audit LLP Chartered Accountants and Statutory Auditor The Pinnacle 170 Midsummer Boulevard Milton Keynes Bucks MK9 1BP

The Trustees present their report and the audited financial statements for the year ended 30 September 2020.

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 and the Companies Act 2006 and the Charities Act 2011.

Objectives and activities

Purposes and aims

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

Mission statement

To support people with learning disabilities, including those with intensive or specialist needs, to live fulfilled lives as active members of their communities.

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 just over 900 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

Children and Young People - including the Positive Behaviour Support service for children and young people in Bradford, Greater Manchester and Gloucestershire

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.

The main source of funding for the organisation is Local Government contractual income, and to a much lesser extent income from the NHS, in addition to contributions from the people we support (as shown in Note 4).

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. 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 e.g. 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 four key objectives for the organisation:-

- To improve quality of support;
- To provide skilled and engaged staff;
- To support an increased number of people; and
- To ensure the organisation is financially resilient.

Main Achievements

- Affinity Trust, like the rest of the world, has been faced with the unprecedented Coronavirus pandemic in 2020. Due to the nature of the support provided it has been essential that the organisation and its staff

Strategic Report (continued)

continued to operate effectively throughout the pandemic in order to keep the people we support safe and healthy. Many of the people we support have underlying physical health conditions in addition to learning disabilities and therefore were in more vulnerable categories. Like the rest of the UK, Affinity Trust has seen significant staff absences as staff had to isolate during the pandemic. At the peak the organisation had around 20% of its support workers off work and by November 2020 40% of the workforce have been unavailable for work at some point. A number of vulnerable staff were asked to shield by the Government. Our staff have shown a real resilience and team spirit in helping to cover these challenges by picking up additional shifts and in some cases moving into the locations away from their families in order to be available to support people and not put them at risk. The organisation has also had to manage rapidly changing Government requirements including around how to provide support, what Personal Protective Equipment (PPE) is required and what financial help is available. Affinity Trust established daily meetings of the Senior Management Team to address issues, make decisions and ensure the guidance was quickly and clearly communicated across the organisation. Affinity Trust also established a task-force to procure and distribute PPE across all locations and this successfully kept all our staff supplied with the appropriate PPE with some stocks built up for the winter. In addition most of our management and administrative staff had to work from home in line with Government guidelines. The net impact of Coronavirus on Affinity Trust for the year ended 30 September 2020 is a cost of £0.8m. Refer to Financial Review on p7 for further details on Coronavirus.

- In recent years agency usage has steadily increased. In October 2019 the organisation implemented weekly tracking and reporting of agency usage which enabled managers to discuss usage on a very timely basis and identify actions to reduce going forwards. In addition tighter controls were implemented around approval of agency staff. As a result of these actions agency costs had reduced by 25% prior to Coronavirus and have since reduced further as managers sought to minimise the use of agency staff who may be going into different locations. In total agency spend reduced by £1.7m (39%) compared to the prior year.
- The organisation had a successful year in growing its provision of new services despite tender activity slowing over the spring due to Coronavirus. The value of new contracts gained during the year from referrals was £1.3m with a key driver being growth in Aberdeen. The annual value of new contracts gained during the year from successful tenders was £4.8m of which £3.2m relates to Specialist Support services in Sheffield and Kirklees. Tender wins for Supported Living services in Dorset and East Riding were also key drivers of growth. There has been further growth in the Children and Young People's Services with a new contract for Positive Behaviour Support with Gloucestershire. Partially offsetting this growth was the loss of a contract for services in Tameside and the organisation took the difficult decision to terminate a contract for Supported Living services at Sandwell, as it had been incurring deficits for a number of years and despite efforts to address this the Local Authority would not increase the hourly rate.

This year saw the continued organisational implementation of Active Support principles to improve the delivery of personalised care and support and a further 17 teams were trained before training was suspended in April due to the Coronavirus. The organisation also commenced providing age related training.

Strategic Report (continued)

- The organisation has historically prepared its staff rotas using excel spreadsheets which are then printed out. To move the organisation away from paper based ways of working and improve the communication of rotas with staff and the efficiency with which they can be prepared, the organisation has identified and procured a rota system and a pilot has been run in the Central Division. The system will enable staff to view their shifts via an App and also use this App to book leave and accept additional shifts. The ability to quickly communicate shifts which have become available due to staff illness should help minimise agency requirements and therefore benefit the quality of support provided. The system will be rolled out across the whole organisation in 20/21.
- The quality of our services remains of paramount importance and the Trustees consider that the standard of support provided is high and this is borne out by positive ratings from our regulators, the Care Quality Commission and the Scottish Care Inspectorate - our inspection results are above the national average for this sector and during the year were consistently rated as "Good" in 100% of locations and we are also rated as level 5 in Scotland. Affinity Trust received an Excellence Award from the British Institute for Learning Disabilities for the provision of Positive Behaviour Support for the children and young people we support in Bradford.
- Over recent years increases in hourly rates paid by Local Authorities have been insufficient to offset wage inflation. Wage inflation is largely driven by National Living Wage increases and therefore outside the control of the organisation. National Living Wage increased by 6.2% to £8.72 in April 2020. Whilst our staff deserve to be appropriately paid for their hard work, this increase was again not fully funded by many of the local authorities we work with. This has resulted in a structural inflationary shortfall which will result in a deficit and put the long term financial stability of the organisation at risk if not addressed.
- The organisation therefore implemented a review of its operational processes, systems and ways of working. This has resulted in the identification of efficiency opportunities which will also improve the working experience of our staff by moving away from what in some areas are still manual paper based processes and systems to more integrated systems and paperless ways of working. A programme (Transform 21) is underway to implement these opportunities. However, whilst this will also deliver financial benefit in the medium term, the benefits will be eroded by the structural inflationary shortfall and therefore in the longer term more fundamental changes are needed to social care funding so that increases in pay to our key workers are fully funded by Local Authorities.
- The organisation has progressed the development of 4 new-build bungalows plus staff accommodation at a site near Markham in Leicestershire. This involved the purchase of a derelict bungalow in the prior year. In the year ended 30 September 2020 the organisation obtained planning permission and designs for the bungalows, appointed a contractor and commenced construction. Total costs are expected to be c. £1.5m and Affinity Trust has obtained a repayable Grant from the NHS for £1m. Affinity Trust has worked closely with Local Authorities and the NHS in developing this project and the construction is due to complete in Spring 2021 with the first occupants moving in shortly afterwards.
- Total funds increased by £0.2m since the start of the year. Liquid reserves (cash plus investments) increased by £2.2m.

Strategic Report (continued)

Promoting the success of the Trust

The Trustees confirm that throughout the year they have acted in a way most likely to promote the success of the Trust in achieving its charitable objectives, as set out in the Purposes and Aims section of this report. In doing so the Trustees have taken a long term view, have endeavoured to achieve the highest standards of business conduct and have taken into account the interests of beneficiaries, employees, suppliers, the community and other stakeholders as set out in this report.

Financial review

For the year ended 30 September 2020 Affinity Trust achieved a positive net movement in funds of £0.2m being 0.3% on all its activities (prior year £0.3m being 0.5% on all activities). The reduction in surplus vs prior year was principally due to costs incurred in relation to Coronavirus not being fully recovered.

In total Affinity Trust incurred £1.3m on the costs of backfilling absent staff and £1m on the costs of PPE. This compares to just £0.08m spent on PPE in the previous financial year. Additional Coronavirus costs were incurred in relation to IT to enable the organisation to work remotely where necessary and on the costs of distributing PPE across the organisation. The organisation recovered £0.7m from Local Authorities we provide services to, £0.3m from Infection Control Funds and £0.5m from the Job Retention Scheme in respect of staff on furlough, primarily as they had been asked to shield by the Government.

Overall income was consistent with the prior year excluding profit on disposal of property at £57.0m. Growth plus income relating to Coronavirus offset income from the loss of services noted above plus those services which ended in the prior year such as Southend and Maidenhead.

Total expenditure has also been very similar to the prior year at £56.8m. However, in the year ended 30 September 2020 a reduction in agency spend has been offset by the additional costs incurred in relation to Coronavirus.

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 a 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 organisation has had a focus on reducing turnover and this was starting to show positive results during the earlier part of the year. However, higher turnover levels were incurred during the summer period as Coronavirus restrictions eased resulting in full year turnover of 31.1% which is 1.3% higher than the prior year (29.8%)

The centralised recruitment team at our head office in Thame have continued to deliver a reduction in the number of vacancies. Whole Time Equivalent vacancies have reduced from 224 in October 2019 to 170 in September 2020 representing a 24% reduction.

Due to the ongoing focus on reducing agency usage noted above, total agency spend reduced by £1.7m from £4.4m in 2019 to £2.7m in 2020. These costs were partially offset by increases in overtime and bank staff costs as the organisation chose to pay a premium to fill shifts which were vacant due to staff isolating because of Coronavirus. However, overall there was a significant financial benefit to the organisation from the reduction in agency spend. In addition other smaller benefits were obtained from the roll-out of Office 365 which via the use of Teams helped to reduce the number of physical meetings and therefore travel and subsistence costs. This reduction was seen earlier in the year and was accelerated by the restrictions introduced by Coronavirus.

Our objectives to increase financial resilience included plans to reduce debtors and this was achieved with overall debtor days standing at 24 days (25 days last year). Cash balances increased during the year with the recovery of cash relating to aged balances as well as cash received from a local authority as part of its COVID-19 support which it has subsequently required to be repaid.

The social care sector in general awaits the outcome of the appeal hearing in February 2020 in the Royal Mencap Society vs Tomlinson-Blake case. Whilst the lower court confirmed that historical sleep-in shifts did not need to be paid at National Minimum Wage (NMW) rates, current sleep-in shifts continue to be paid on a topping up basis as councils are currently funding most of this additional cost. This may change in future depending on the outcome of the appeal when announced.

Reserves policy

The Board has reviewed the reserves policy and confirmed the need to hold reserves to meet all potential creditor obligations as they fall due. A minimum level of general reserves equivalent to one month's expenditure (c. £4.5m) 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. General reserves of £8.9m were held at year-end and were therefore above the minimum amount. Total funds at 30 September 2020 were £13.4m.

Total designated funds are £4.1m which principally relate to the Net Book Value of Tangible Fixed Assets. The majority are properties that are people's homes that could not easily be realised in the short or medium term.

Restricted funds consist of a capital grant of £0.3m and a small number of voluntary donations from friends and family of people we support and members of the public (see fundraising policy below).

Given the considerable uncertainties surrounding the financial impact of Coronavirus, a greater amount of cash has been held in readily available bank accounts rather than being placed on deposit with notice periods needing to be met before the cash can be accessed. Once the outcome of the Mencap Appeal is known then any surplus cash will be reviewed against forward cash-flow requirements and a decision will be taken whether to place additional amounts into Investments or whether to place cash on fixed term deposit, although this is likely to be less attractive with current low interest rates. 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 or required for liquidity

headroom purposes) 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.

Going Concern

The accounts have been prepared on a going concern basis. The Trustees have reviewed budgets and cash-flow forecasts for a 2 year period which support the preparation of the accounts on this basis. Further details on the going concern accounting policy are included in Note 1.

Investment policy

Affinity Trust's investment policy is documented within the Treasury Management and Investment Policy, which is reviewed annually by the Finance and Audit Panel. 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 Finance and Audit Panel 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. 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.

Global stock markets sharply declined in March 2020 as the impact of Coronavirus became apparent. For example the FTSE 100 fell 25% from the end of September 2019. Due to the mix of equities and bonds held in Affinity Trust's portfolio the impact was partially mitigated but still resulted in an unrealised loss of £0.4m at the end of March 2020. However, recovery of global markets in the second half of the year saw the portfolio recover to a valuation of £2.8m at the end of September 2020 which is in line with where it started the year.

Fundraising

As reflected in the Statement of Financial Activities and in Note 4 to the financial statements, Affinity Trust's income is almost wholly contractual in nature via Local Authority support contracts and as a result the organisation is not reliant on voluntary donations or other fundraising income. No proactive fundraising was undertaken during the year and we do not contract with any third parties to fundraise on our behalf.

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:

- Managing the impact of Coronavirus in a way which kept the people we support and our staff safe and retained financial stability for the organisation. This would include failure to provide staff with sufficient appropriate PPE. The overall Coronavirus risk is being managed by regular meetings of the Senior Management Team specifically focussed on COVID-19. This includes monitoring staff absences and PPE levels. The risk of PPE shortages is managed by buying significant bulk quantities to ensure security of supply and cost optimisation. In addition the risk of Coronavirus was mitigated by ensuring all IT systems were ready for remote working.
- Delivery of cost efficiencies. As noted previously uplifts in hourly rates paid by Local Authorities have been insufficient to offset increases in wage inflation driven by National Living Wage (NLW) /Scottish Living Wage (SLW). The Government is committed to a 5% increase over the course of the current Parliament and therefore although the increase announced from April 2021 is 2.2% we are anticipating further significant increases in NLW over the next few years following 4.85% last year and 6.2% in April 2020. This inflationary shortfall will result in deficits across the organisation and therefore, the organisation is moving to paperless and more efficient ways of working as part of our Transform 21 programme which will deliver cost efficiencies. In the year ended 30 September 2020 £0.1m professional fees were incurred to support the programme.
- 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. Only one significant contract (Tameside) was lost in the year with one contract (Sandwell) handed back due to a lack of increase in hourly rates for three successive years.
- Difficulties in retention of staff which may have an impact on the quality of support provision. Continued focus is placed on our engagement with staff to reduce the number of reasons for staff leaving the organisation. This is a key workstream within the Transform 21 programme which has also included an organisation wide Pulse Survey to gauge the starting point. Management have also increased the frequency with which they communicate with staff across the organisation through a number of different forums which have included a weekly e-mail from the Chief Executive Officer during the Coronavirus pandemic.
- Safeguarding and/or the risk of a serious incident involving people supported by the organisation – this risk area 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 who may have more complex needs. We will also continue to seek opportunities to support more children and young people following the success in Bradford.

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. Coronavirus continues to present a key challenge to the broader sector in the short to medium term. In the year ended 30 September 2020 the sector incurred significant costs in relation to Coronavirus. Despite £6.4bn funding being made available to Local Authorities in addition to Infection Control Funds, Affinity Trust was not able to recover all of the costs incurred. There is currently no change in the Government Guidelines for PPE and the organisation is seeing increasing levels of staff absence due to the second wave of the pandemic. However, the same levels of funding are not currently available and therefore there is a risk the second wave has a larger adverse financial impact on Affinity Trust. The Winter Infection Control Fund does not cover PPE and whilst some PPE is being provided free by the Government this only meets a fraction of our requirements.

The inflationary shortfall created by increases in hourly rate uplifts being insufficient to offset wage growth due to NLW continues to be a challenge. There is a risk that the deficit grows if Local Authorities' finances come under even greater pressure following the pandemic.

As well as financial challenges we recognise that opportunities are also apparent, for example we have seen significant growth in our Specialist Support Division and have won a new contract for Children's and Young People's services. To this end we have created and invested in a Specialist Support Division to provide more specialist and focused expertise.

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.

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 (as permitted by Coronavirus restrictions) and meeting all levels of staff. Annual appraisals are conducted for individual Trustees by the Chair of the Board of Trustees and Trustees are able to access relevant conferences and training as required. Topics included at this year's Board Away Day included Risk Rating & Management, Diversity and Safeguarding.

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:

Affinity Trust

Trustees' annual report

For the year ended 30 September 2020

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

Up to March 2020 the Asset Allocation Committee met 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 consisted of five Trustees including the Chair of the Board as an ex-officio member. In March 2020 the Board took the decision to subsume the responsibilities of the Asset Allocation Committee into the Finance and Audit Panel.

The Quality Committee which meets four times a year to review quality assurance of support services, safeguarding, health and safety 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 four Trustees including the Chair of the Board 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.

Trustees are remunerated and are able to claim expenses for any work undertaken on behalf of the charity and such remuneration is reviewed and recommended by the Independent Panel for Trustees Remuneration. 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. For the year ended 30 September 2020 the charity's activities were structured into ten geographic operating divisions each headed by a Divisional Director plus the divisions for C&YP and Specialist Support.

The twelve divisions and their related Councils for whom we provided services in the year are:-

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

East Anglia – Norfolk and Suffolk

North – Leeds and Sheffield

North West – Bradford MBC and Tameside

Scotland - South Ayrshire, Argyll and Bute

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

South East - Kent and East Sussex

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

Central – Leicestershire County and Leicester City Council

South West – Somerset, Southampton

Children and Young People – Bradford, Calderdale, Trafford

Specialist Support – Buckinghamshire, Leicestershire, Cheshire West, Sheffield

From 1 October 2020 the ten geographic divisions have been restructured into six geographic divisions and the number of Divisional Director roles has been reduced from ten to six.

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 four Trustees who meet 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. As Trustees are also key management personnel, remuneration and expenses reclaimed from the charity by the Trustees are set out in note 7 to the financial statements.

Employee engagement (including 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.

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 the second organisation wide employee engagement survey referred to earlier). The annual Business Plan is communicated to managers by the Senior Management Team at divisional meetings each autumn. Part of the feedback from the employee engagement survey was a request by staff to receive more support in relation to wellbeing and this was addressed by the introduction of well-being sessions including on managing stress.

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 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 Human Resources Director 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.

Anti-Corruption and Bribery Policy

Affinity Trust is committed to achieving the highest standard of probity, accountability and openness. This is achieved through a formal policy that is communicated to all staff to ensure that everyone is aware of and has complete clarity about what is acceptable in our dealings with our operating partners, be they suppliers, customers/commissioners or the people we support and their friends and families. Affinity Trust regards bribery and corruption as completely unacceptable. No bribe or inducement should ever be made to any person, or accepted from any other person, in any circumstance, whether or not such inducements result in personal gain.

Engagement with suppliers, Customers and Others

Affinity Trust engages in a variety of ways with a wide range of interests and stakeholders in the community. We regularly engage with our major suppliers. We engage with the people we support and their families in a variety of ways including via people we support and family forums and seeking their opinions and feedback via annual surveys. We work with commissioners and other providers e.g. within provider forums at a local level and by actively contributing to market engagement events related to new growth opportunities. In 2020 Affinity Trust has become a member of the All Party Parliamentary Group for Adult Social Care, working alongside other providers and Government representatives including at Minister level. We are also active contributors of forums such as VODG (Voluntary Organisations Disability Group).

We utilise our website, social media channels and a quarterly newsletter to engage the wider public. Within our Children and Young People division we actively engage with local parent's forums and have provided foundation level PBS training free of charge to over 200 health and social care professionals in the Bradford area. At a community level we engage with a wide range of organisations including businesses, leisure facilities and community groups to enable opportunities for the people we support to develop their skills and

independence, become active participants in their local community and development pathways to education, training and employment.

Environmental Policy

The Trustees are aware of the importance of protecting the local environments where services are operated and Affinity Trust is committed to ensuring that the activities of the organisation have a minimal adverse impact on the environment. Wherever possible, travel related environmental impacts are minimised through the provision of technology to facilitate meetings and/or online training provision and whilst the organisation only operates from a relatively small number of properties (for accommodation or office use), each of these locations has been the subject of an energy audit under the first and second phases of the Energy Saving Opportunities Scheme ("ESOS" & "ESOS2").

Energy and Carbon Reporting

As part of the obligations set out under the Energy and Carbon Report Regulations 2018, the charity is required to disclose the energy and carbon created as an organisation over the last reporting year starting on or after April 2019. To fulfil this we have measured our UK Energy and greenhouse gas emissions as classified within scope 1 and 2 (Streamlined Energy and Carbon Reporting (SECR)) which are presented in tables 1, 2 and 3.

Energy Consumption and Greenhouse Gases

The methodology used for determining energy and carbon emissions within this section of the report are as per the regulations above. The calculations include a number of sources of our greenhouse emissions: :

- Natural gas used for heating the building we occupy and for hot water.
- Electricity used for lighting, cooling and air conditioning.
- Fuel consumption in vehicles that are used for business including staff vehicles and hire cars.
- Gas and electricity consumption have been taken from invoices and sub-meter readings as appropriate.
- Fuel consumption is measured from mileage incurred by employees travelling to and from locations.

The charity's consumption and associated greenhouse gas emissions for the financial year October 2019 to September 2020 are shown in Tables 1 and 2.

Table 1: Total energy consumption and associated greenhouse gas emissions for SECR Year 1 reporting period

Energy Type	Energy Use (kWh)	% Split kWh	Emissions (tCO2e/yr)	% Split CO2e
Gas	739,325	30%	136	33%
Electricity	447,282	18%	103	25%
Transport	1,239,476	52%	174	42%
Total	2,426,083	100%	413	100%

Table 2: Energy and Carbon Conversion Factors

Activity	Fuel	Unit	Year	kg CO2e
Combustion of fuel	Natural Gas	kWh	2020	0.18352
Electricity generation	UK Electricity	kWh	2020	0.23104
Transport (average car)	Diesel	KWh	2020	0.14013
Transport (average car)	Diesel	Mile	2020	0.22552

*UK Government GHG Conversion Factors for Company Reporting, 2020

Vehicle use is based on fleet vehicles and employee travel using their own vehicles for business use. An assumption has been made that all vehicles use standard diesel and have an engine transmission of 2L or less. Therefore 0.14013 kg CO2e per kWh value has been applied. The fuel conversion factor applied (kWh/mile): 0.22552 kg CO2e per mile / 0.14013 kg CO2e per kWh= 1.609 kWh/mile.

Intensity Ratio

Intensity ratios compare emissions data with an appropriate business metric or financial indicator. This allows a comparison of energy efficiency performance over time and with other similar types of organisation. We have chosen to compare our overall emissions with our annual turnover for the 2019/20 year.

Table 3: Intensity Ratio

Energy Consumption	Total green-house gases emissions	Annual Turnover (£'m)	Intensity Ratio	Intensity Ratio
(kWh)	(tCO2e)	FY19/20	(kWh/£100,000 turnover)	(tCO2e/£100,000)
2,426,083	413	57	4,264	0.73

Energy Efficiency Actions

Affinity Trust has implemented Microsoft Teams and encouraged meetings to be held via videoconference to reduce cost and carbon emissions from travel. The impact of this has been enhanced by COVID-19 restrictions which have required management and administrative staff to work from home where possible and required front-line support workers to minimise their travel between properties. Affinity Trust is introducing local initiatives to encourage employees and tenants to reduce emissions through reduced energy use. The asset replacement programme prioritises replacing old inefficient heating and lighting systems. When acquiring new properties measures to increase energy efficiency will be part of their refurbishment.

Charity Governance Code

The Trustees follow the Charity Governance Code and have reviewed their approach to governance during the year including its use of KPIs, its approach to risk rating and management and review of Regulatory Alerts issued by the Charity Commission.

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

Trustees' annual report

For the year ended 30 September 2020

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

Disclosure of Information to Auditors

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. 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

Guarantees

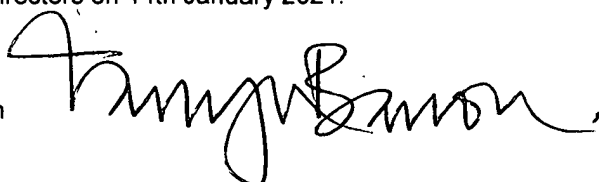
Members of the company guarantee to contribute an amount not exceeding £1 to the assets of the company in the event of winding up. The total number of guarantors at 30 September 2020 was 20 (2019 - 20). Members of the Board of Trustees have no beneficial interest in the organisation.

Professional Indemnity Insurance

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.

The Trustees' annual report which includes the strategic report has been approved by the Trustees in their capacity as directors on 14th January 2021.

Tanya Barron
Chair



Opinion

We have audited the financial statements of Affinity Trust (the 'charitable company') for the year ended 30 September 2020 which comprise the Statement of Financial Activities (incorporating an income and expenditure account), the Balance Sheet, the 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 FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 30 September 2020 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; and
- 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 have been appointed auditor under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and under the Companies Act 2006 and report to you in accordance with regulations made under those Acts.

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 annual report other than the financial statements and our auditor's report thereon. The trustees are responsible for the other information. Our

Independent auditors' report
To the trustees and members of
Affinity Trust

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 directors' report and the strategic report prepared for the purposes of company law and included within the trustees' annual report, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report and the strategic report, included within the trustees' annual report, have 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 directors' report or the strategic report, included within the trustees' annual report.

We have nothing to report in respect of the following matters where the Companies Act 2006 and the Charities Accounts (Scotland) Regulations 2006 (as amended) require us to report to you if, in our opinion:

- adequate and proper 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 on page 16, 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 auditors' report
To the trustees and members of
Affinity Trust

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

This report is made exclusively to the members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006, and to the charity's trustees, as a body, in accordance with section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 10 of the Charities Accounts (Scotland) Regulations 2006 (as amended). Our audit work has been undertaken so that we might state to the members and the charity's trustees 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, its members as a body, and its trustees as a body, for our audit work, for this report, or for the opinions we have formed.

RSM UK Audit LLP

SARAH MASON FCA (Senior Statutory Auditor)

For and on behalf of RSM UK AUDIT LLP, Statutory Auditor

Chartered Accountants

The Pinnacle

170 Midsummer Boulevard

Milton Keynes

MK9 1BP

Date *27* January 2021

RSM UK Audit LLP is eligible to act as an 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 2020

	Note	Unrestricted £	Restricted £	2020 Total £	Unrestricted £	Restricted £	2019 Total £
Income from:							
Donations and legacies	3	-	-	-	-	2,250	2,250
Charitable activities							
Supported living	4	48,926,737	-	48,926,737	49,558,927	-	49,558,927
Shared living	4	4,075,431	-	4,075,431	3,757,537	-	3,757,537
Outreach services	4	2,369,353	-	2,369,353	1,972,128	-	1,972,128
Supported employment & day opportunities	4	735,229	-	735,229	755,190	-	755,190
Social enterprises	4	416,863	-	416,863	505,570	-	505,570
Housing	4	440,868	-	440,868	394,673	-	394,673
Investments	4	33,779	-	33,779	76,029	-	76,029
Surplus on disposal of fixed assets		1,282	-	1,282	353,525	-	353,525
Total income		56,999,542	-	56,999,542	57,373,579	2,250	57,375,829
Expenditure on:							
Raising funds							
Investment manager's fees	5	10,706	-	10,706	9,048	-	9,048
Charitable activities							
Supported living	5	49,471,836	811	49,472,647	50,051,073	1,418	50,052,491
Shared living	5	3,500,581	-	3,500,581	3,518,818	-	3,518,818
Outreach services	5	2,308,748	-	2,308,748	1,833,231	-	1,833,231
Supported employment & day opportunities	5	638,801	-	638,801	768,466	-	768,466
Social enterprises	5	386,150	-	386,150	413,843	-	413,843
Housing	5	512,491	-	512,491	521,320	-	521,320
Total expenditure		56,829,313	811	56,830,124	57,115,799	1,418	57,117,217
Net income / (expenditure) before net gains on investments		170,229	(811)	169,418	257,780	832	258,612
Net (losses)/gains on investments		(14,807)	-	(14,807)	24,098	-	24,098
Net income/(expenditure) for the year and net movement in funds	6	155,422	(811)	154,611	281,878	832	282,710
Reconciliation of funds:							
Total funds brought forward		12,916,004	307,900	13,223,904	12,634,126	307,068	12,941,194
Total funds carried forward	21	13,071,426	307,089	13,378,515	12,916,004	307,900	13,223,904

Affinity Trust

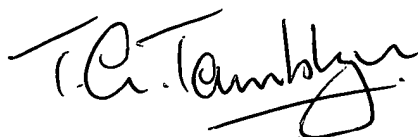
Balance sheet

Company no. 6893564

As at 30 September 2020

	Note	£	2020 £	£	2019 £
Fixed assets:					
Land	11		2,042,432		2,042,432
Housing properties	11		2,300,590		1,719,335
Other tangible fixed assets	12		91,491		171,081
Investments	13		2,752,018		2,766,825
			<u>7,186,531</u>		<u>6,699,673</u>
Current assets:					
Stocks	14	170,928		73,990	
Debtors	15	5,887,233		6,554,410	
Cash at bank and in hand		7,953,774		5,749,664	
			<u>14,011,935</u>	<u>12,378,064</u>	
Liabilities:					
Creditors: amounts falling due within one year	16	6,190,165		4,874,271	
			<u>7,821,770</u>	<u>7,503,793</u>	
Net current assets			<u>15,008,301</u>	<u>14,203,466</u>	
Total assets less current liabilities			<u>1,629,786</u>	<u>979,562</u>	
Creditors: amounts falling due after one year	18				
			<u>13,378,515</u>	<u>13,223,904</u>	
Total net assets			<u>13,378,515</u>	<u>13,223,904</u>	
The funds of the charity:	21				
Restricted funds			307,089		307,900
Unrestricted funds:					
Designated funds		4,134,513		3,030,466	
General funds		8,936,913		9,885,538	
			<u>13,071,426</u>	<u>12,916,004</u>	
Total unrestricted funds			<u>13,071,426</u>	<u>12,916,004</u>	
Total charity funds			<u>13,378,515</u>	<u>13,223,904</u>	

Approved by the trustees on 14 January 2021 and authorised for issue 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 2020

		2020 £	£	2019 £	£
Net cash from / (used in) operating activities	Note 22		1,536,255		(220,117)
Cash flows from investing activities:					
Dividends from investments		11,076		40,367	
Interest received		22,703		35,662	
Proceeds from the sale of property fixed assets		-		657,808	
Proceeds from the sale of non-property fixed assets		1,282		1,746	
Purchase of fixed assets		(633,037)		(762,067)	
Proceeds from sale of investments		1,235,846		1,541,851	
Purchase of investments		(1,237,865)		(2,778,189)	
Net cash (used in) / from investing activities			(599,995)		(1,262,821)
Cash flows from financing activities:					
Repayments of borrowing		(76,511)		(376,714)	
Interest paid		(20,395)		(25,334)	
Cash flows from new borrowing		1,362,737		-	
Net cash from / (used in) financing activities			1,265,831		(402,049)
Change in cash and cash equivalents in the year			2,202,091		(1,884,987)
Cash and cash equivalents at the beginning of the year			5,749,664		7,629,633
Change in cash and cash equivalents in respect of cash held by investment manager			2,019		5,018
Cash and cash equivalents at the end of the year			7,953,774		5,749,664

Analysis of changes in net funds /(debt)

	1 October 2019 £	Cash flow £	30 September 2020 £
Cash at bank and in hand	5,749,664	2,204,110	7,953,774
Bank loans	(121,758)	(18,933)	(140,691)
Other loans	-	(617,070)	(617,070)
Debt due within one year	(121,758)	(636,003)	(757,761)
Bank loans	(515,762)	95,443	(420,319)
Other loans	(463,800)	(745,667)	(1,209,467)
Debt due after one year	(979,562)	(650,224)	(1,629,786)
Total net funds	4,648,344	917,883	5,566,227

1 Accounting policies

a) Statutory information

Affinity Trust is a private charitable company limited by guarantee and is incorporated in England. The registered office address is 1 St Andrew's Court, Wellington Street, Thame, OX9 3WT. Refer to Trustees Report for principal activities.

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 2019) - (Charities SORP FRS 102), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (September 2018) 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. The financial statements are presented in (£) Sterling which is also the functional currency of the charity. Monetary amounts in these financial statements are rounded to the nearest £1.

c) Public benefit entity

The charitable company meets the definition of a public benefit entity under FRS 102 and has therefore applied the relevant public benefit requirements of FRS102.

d) Going concern

The Trustees consider that there are no material uncertainties about the charitable company's ability to continue as a going concern as the Trustees have reviewed budgets and forecasts for the 24 months following the end of the reporting period which support the fact that the charity is a going concern. In addition the organisation has sufficient reserves available to meet its liabilities as they fall due and has sufficient cash and liquid reserves available to meet its needs.

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 income 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 and support costs.

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.

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 limits as follows: portable buildings £2,000, software, electrical equipment and fixture & fittings £1,000, computer & telephone equipment £500. Depreciation costs are allocated to activities on the basis of the use of the related assets in those activities.

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 land	0%
Freehold property	2%
Property alterations	10%
Cars	25% - 33%
Office equipment	10% - 50%

The carrying value of freehold property has been split into its component parts of freehold land and freehold property. Freehold land continues to be depreciated at 0% as it is considered to have an unlimited life. Freehold property was depreciated at a rate of 2% from 1 October 2019 reflecting the revised estimate of useful economic life.

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.

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.

Affinity Trust

Notes to the financial statements

For the year ended 30 September 2020

1 Accounting policies (continued)

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 deposits. 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 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 26).

In addition the charity makes contributions to the West Yorkshire Pension Fund and the South Yorkshire Pension Fund (all 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 26).

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 25).

2 Key judgements and estimates

In the application of the charity's accounting policies, the Trustees are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are readily apparent from other sources. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised.

The Trustees do not consider that there are any sources of estimation uncertainty, including from reviewing any impact of the contingent liabilities in note 25, 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.

3 Income from donations

	Unrestricted £	Restricted £	2020 Total £	2019 Total £
Donations	-	-	-	2,250
	-	-	-	2,250

Notes to the financial statements

4 Income from charitable activities

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Affinity Trust

Notes to the financial statements

For the year ended 30 September 2020

5 Analysis of expenditure

	Charitable activities									2020 Total	2019 Total
	Cost of raising funds	Supported Living	Shared Living	Outreach	Opportunities	Social Enterprises	Housing	Support costs	Governance		
	£	£	£	£	£	£	£	£	£	£	£
Staff Costs	-	40,737,522	2,660,548	1,911,931	473,697	123,489	-	4,768,720	57,288	50,733,195	51,921,288
Training	-	233,830	14,229	11,445	3,708	733	-	8,507	-	272,451	435,464
Recruitment	-	126,179	8,125	5,148	1,690	765	-	987	8,255	151,149	207,730
Insurance	-	62,999	4,290	3,037	967	204	121	7,040	142	78,800	98,995
Transport and Travel Costs	-	251,680	73,163	63,837	15,897	1,464	50	179,150	17,074	602,315	1,027,400
Property	-	235,560	81,231	4,983	50,623	36,354	414,774	981,531	265	1,805,321	1,691,006
Office	-	160,681	12,246	14,481	4,102	1,460	173	282,557	23	475,723	679,134
Audit & Professional Fees	-	87,522	11,762	7,288	1,498	12,459	13,915	499,561	13,625	647,630	488,279
Trading	-	-	-	-	-	183,596	-	-	-	183,596	214,155
Activities	-	2,184	25,835	-	2,103	493	-	310	-	30,925	50,090
Food and Household Goods	-	899,447	170,426	25,383	10,321	4,896	-	111,903	-	1,222,376	232,026
Sundries	10,706	462,893	33,013	83	1,960	1,406	83,458	32,338	786	626,643	71,650
	10,706	43,260,497	3,094,868	2,047,615	566,566	367,319	512,491	6,872,604	97,458	56,830,124	57,117,217
Support costs	-	6,125,290	400,040	257,482	71,225	18,568	-	(6,872,604)	-	-	-
Governance costs	-	86,861	5,673	3,650	1,010	263	-	-	(97,458)	-	-
Total expenditure 2020	10,706	49,472,647	3,500,581	2,308,748	638,801	386,150	512,491	-	-	56,830,124	57,117,217
Total expenditure 2019	9,048	50,052,491	3,518,818	1,833,231	768,466	413,843	521,320	-	-	57,117,217	

Affinity Trust

Notes to the financial statements

For the year ended 30 September 2020

6 Net income / (expenditure) for the year

This is stated after charging / (crediting):

	2020 £	2019 £
Depreciation	131,372	88,485
Inventory recognised as an expense	186,686	228,839
Profit on disposal of non-property fixed assets	(1,282)	(1,746)
Interest payable on long term loans	20,395	25,334
Surplus on disposal of properties	-	(353,525)
Operating lease rentals:		
Property	570,859	525,083
Other	133,334	130,041
Auditor's remuneration (excluding VAT):		
Audit	20,395	18,500
Other services	8,600	-

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

Staff costs were as follows:

	2020 £	2019 £
Salaries and wages	43,058,004	42,627,258
Redundancy and termination costs (paid and settled)	41,159	31,348
Social security costs	3,517,625	3,508,124
Employer's contribution to defined contribution pension schemes	372,883	455,732
schemes	1,058,172	913,936
	48,047,843	47,536,398
Agency costs	2,685,352	4,384,890
	50,733,195	51,921,288

£214,818 of pension costs were included within creditors (2019: £51,189).

The following number of employees received employee benefits (excluding employer's national insurance and employer pension costs) over £60,000 during the year between:

	2020 No.	2019 No.
£80,001 - £90,000	5	5
£120,001 - £130,000	1	1

The total employee benefits (including employer pension contributions and employer's national insurance) of the key management personnel who are the senior management team as defined on page 1 plus Trustees was £657,308 (2019: £626,581). The following was paid to trustees:

	2020 £	2019 £
Board of trustees' remuneration	55,171	53,471
Board of trustees' expenses	28,161	42,656
	83,332	96,127

Affinity Trust

Notes to the financial statements

For the year ended 30 September 2020

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

Board members were paid £5,016 on average (2019: £4,861). Board members who are also members of the Finance and Audit Panel were paid £5,305 each (2019: £5,296) and Board members who are also members of the Quality Committee were paid £4,935 on average (2019: £4,879). The Chair was paid £8,305 (2019: £8,291). The basis for Trustees' remuneration is set out in the Articles of Association of Affinity Trust. Trustees' remuneration is reviewed annually by an Independent Panel and approved by the Board.

Travel, subsistence, phone and IT expenses were incurred on behalf of 11 (2019: 11) Trustees in the course of their duties. There were no retirement benefits accruing for the Trustees.

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:-

	2020 £	2019 £
M Thomas (Chair, Retired 30 September 2019)	-	8,291
K Cameron (Vice Chair)	5,305	5,296
S Ross	5,045	5,037
T Tamblyn	5,305	5,296
D Walden	5,305	5,296
J Hawthorne	5,305	5,296
A Anketell	4,640	4,513
M Moody	5,045	5,037
J Edwards	4,640	4,513
S Rees	4,520	3,390
T Barron (Chair)	8,305	1,506
H Burgess	1,756	-
	55,171	53,471

8 Staff numbers

The average number of employees (head count based on actual number of staff employed, not FTE) during the year was as follows:

	2020 No.	2019 No.
Shared living	203	112
Supported living	1,704	1,670
Outreach services	156	75
Supported employment & day opportunities	35	37
Social enterprises	16	9
Housing	13	2
Support	118	131
Positive Behavior Support	61	-
	2,306	2,036

9 Related party transactions

There are no related party transactions to disclose for 2020 (2019: none).

There were no donations from related parties 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 2020

11 Tangible fixed assets

Housing Assets Owned Outright				
	Freehold Land £	Freehold property £	Alterations £	Total £
Cost				
At the start of the year	1,664,932	1,301,262	331,924	3,298,118
Additions in year	-	625,653	-	625,653
At the end of the year	1,664,932	1,926,915	331,924	3,923,771
Depreciation				
At the start of the year	-	-	213,708	213,708
Charge for the year	-	26,025	8,928	34,953
At the end of the year	-	26,025	222,636	248,661
Net book value				
At the end of the year	1,664,932	1,900,890	109,288	3,675,110
At the start of the year	1,664,932	1,301,262	118,216	3,084,410
Other Housing Assets				
	Freehold Land £	Freehold property £	Alterations £	Total £
Cost				
At the start of the year	377,500	377,500	249,309	1,004,309
At the end of the year	377,500	377,500	249,309	1,004,309
Depreciation				
At the start of the year	-	95,388	231,564	326,952
Depreciation charge	-	7,475	1,970	9,445
At the end of the year	-	102,863	233,534	336,397
Net book value				
At the end of the year	377,500	274,637	15,775	667,912
At the start of the year	377,500	282,112	17,745	677,357

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 completed in 2018 with valuations for each property resulting in a full or partial write back of previous impairments.

Total Housing Assets				
	Freehold Land £	Freehold property £	Alterations £	Total £
Net book value				
At the end of the year	2,042,432	2,175,527	125,063	4,343,022
At the start of the year	2,042,432	1,583,374	135,961	3,761,767

Affinity Trust

Notes to the financial statements

For the year ended 30 September 2020

12 Other tangible fixed assets

Cars and office equipment

	Cars £	Office equipment £	Total £
Cost			
At the start of the year	82,628	690,565	773,193
Additions in year	-	7,384	7,384
Disposals in year	(20,450)	-	(20,450)
At the end of the year	62,178	697,949	760,127
Depreciation			
At the start of the year	82,628	519,484	602,112
Charge for the year	-	86,974	86,974
Eliminated on disposal	(20,450)	-	(20,450)
At the end of the year	62,178	606,458	668,636
Net book value			
At the end of the year	-	91,491	91,491
At the start of the year	-	171,081	171,081

All of the above assets are used for charitable purposes.

13 Investments

	2020 £	2019 £
Fair value at the start of the year	2,711,813	1,451,377
Additions	1,237,865	2,778,189
Disposal proceeds	(1,235,846)	(1,541,851)
Net realised and unrealised gain/(loss) on change in fair value	(14,807)	24,098
Cash balance held by investment manager	2,699,025 52,993	2,711,813 55,012
Fair value at the end of the year	2,752,018	2,766,825
Historic cost at the end of the year	2,711,836	2,711,456

Investments comprise:

	2020 £	2019 £
UK/Europe/North America/Emerging markets common investment funds	2,699,025	2,711,813
Cash	52,993	55,012
	2,752,018	2,766,825

14 Stocks

	2020 £	2019 £
Stocks held at Englefield Garden Centre	58,907	73,990
Personal Protective Equipment	112,021	-
	170,928	73,990

Personal Protective Equipment (PPE) stock was held at 30 September 2020 in order to help meet the significant additional PPE requirements expected over the autumn and winter as a result of the ongoing COVID-19 pandemic.

Affinity Trust

Notes to the financial statements

For the year ended 30 September 2020

15 Debtors

	2020 £	2019 £
Trade debtors	3,680,367	4,280,481
Other debtors	54,534	41,787
Prepayments and accrued income	2,152,332	2,232,142
	<u>5,887,233</u>	<u>6,554,410</u>

16 Creditors: amounts falling due within one year

	2020 £	2019 £
Bank loans	140,691	121,758
Other short term loan	617,070	-
Trade creditors	1,630,997	733,719
Taxation and social security	923,082	864,927
Other creditors	632,453	674,350
Accruals and deferred income	2,245,872	2,479,517
	<u>6,190,165</u>	<u>4,874,271</u>

Other short term loans relates to funding provided by a local authority in April 2020 in relation to COVID-19 which the local authority subsequently requires to be repaid.

17 Deferred income

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

	2020 £	2019 £
Balance at the beginning of the year	580,195	725,918
Amount released to income in the year	(580,195)	(725,918)
Amount deferred in the year	225,763	580,195
	<u>225,763</u>	<u>580,195</u>

18 Creditors: amounts falling due after one year

	2020 £	2019 £
Bank loans	420,319	515,762
Repayable grants:		
NHS Grant	745,667	-
Secretary of State for Health	463,800	463,800
	<u>1,629,786</u>	<u>979,562</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 12. 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 obtained a Grant of £1,064,000 from the NHS to support the construction of 4 bungalows plus staff accommodation for Supported Living in Leicestershire. The Grant is repayable if the property is sold or no longer used as accommodation for individuals with learning disability or mental health needs. As at 30 September 2020 £745,667 had been drawn down with the remaining drawdown due in 2021 on completion of the property.

Affinity Trust

Notes to the financial statements

For the year ended 30 September 2020

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

Maturity of total debt is as follows

	2020 £	2019 £
In one year or less	757,761	121,758
Between one and two years	91,053	87,266
Between two and five years	318,882	393,181
Over five years	1,219,851	499,115
	<u>2,387,547</u>	<u>1,101,320</u>

20a Analysis of net assets between funds (current year)

	General unrestricted £	Designated £	Restricted £	Total funds £
Tangible fixed assets	-	4,134,513	300,000	4,434,513
Investments	2,752,018	-	-	2,752,018
Net current assets	7,814,681	-	7,089	7,821,770
Creditors due after more than one year	(1,629,786)	-	-	(1,629,786)
Net assets at 30 September 2020	<u>8,936,913</u>	<u>4,134,513</u>	<u>307,089</u>	<u>13,378,515</u>

20b Analysis of net assets between funds (prior year)

	General Unrestricted £	Designated £	Restricted £	Total funds £
Tangible fixed assets	-	3,632,848	300,000	3,932,848
Investments	2,766,825	-	-	2,766,825
Net current assets	7,118,713	377,180	7,900	7,503,793
Creditors due after more than one year	-	(979,562)	-	(979,562)
Net assets at 30 September 2019	<u>9,885,538</u>	<u>3,030,466</u>	<u>307,900</u>	<u>13,223,904</u>

Affinity Trust

Notes to the financial statements

For the year ended 30 September 2020

21a 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	2,200	-	-	-	2,200
Score Fund	4,700	-	(811)	-	3,889
Little Glen Road	300,000	-	-	-	300,000
Reading Services	1,000	-	-	-	1,000
Total restricted funds	307,900	-	(811)	-	307,089
Unrestricted funds:					
Designated funds:					
Fixed Assets	-	-	-	4,134,513	4,134,513
Property fund	2,171,971	-	-	(2,171,971)	-
Other tangible fixed assets	127,971	-	-	(127,971)	-
Project management fund	724,330	-	-	(724,330)	-
Assistive technology fund	4,467	-	-	(4,467)	-
Midlands Rugby Fund	1,727	-	-	(1,727)	-
Total designated funds	3,030,466	-	-	1,104,047	4,134,513
General funds	9,885,538	56,999,542	(56,844,120)	(1,104,047)	8,936,913
Total unrestricted funds	12,916,004	56,999,542	(56,844,120)	-	13,071,426
Total funds at 30 September 2020	13,223,904	56,999,542	(56,844,931)	-	13,378,515

The Trustees made the decision to undesignate previously designated funds to general funds and make a new designated fund representing the Net Book Value of fixed assets, excluding the Little Glen restricted funds and recognises the different liquidity profile of these funds to other unrestricted funds included within the General Funds

Affinity Trust

Notes to the financial statements

For the year ended 30 September 2020

Movements in funds (prior year)

	At the start of the year £	Expenditure & losses £	Expenditure & losses £	Transfers £	At the end of the year £
Restricted funds:					
Ayrshire Activity club	2,200	-	-	-	2,200
Score Fund	3,868	2,250	(1,418)	-	4,700
Little Glen Road	300,000	-	-	-	300,000
Reading Services	1,000	-	-	-	1,000
Total restricted funds	307,068	2,250	(1,418)	-	307,900
Unrestricted funds:					
Designated funds:					
Property fund	2,171,971	-	-	-	2,171,971
Other tangible fixed assets	127,971	-	-	-	127,971
Project management fund	958,569	-	(234,239)	-	724,330
Assistive technology fund	4,621	-	(154)	-	4,467
Midlands Rugby Fund	1,768	-	(41)	-	1,727
Total designated funds	3,264,900	-	(234,434)	-	3,030,466
General funds	9,369,226	57,397,677	(56,881,365)	-	9,885,538
Total unrestricted funds	12,634,126	57,397,677	(57,115,799)	-	12,916,004
Total funds at 30 September 2019	12,941,194	57,399,927	(57,117,217)	-	13,223,904

Purposes of restricted funds

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

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

Little Glen Road: Grant given to cover a bond repayable to the Local Authority upon the sale of the property.

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

Affinity Trust

Notes to the financial statements

For the year ended 30 September 2020

21 Movements in funds (continued)

Purposes of designated funds in prior year:

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

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.

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

22 Reconciliation of net income to net cash flow from operating activities

	2020 £	2019 £
Net income for the reporting period (as per the statement of financial activities)	154,611	282,710
(Gains)/Losses on investments	14,807	(24,098)
Dividends and interest from investments	(33,779)	(76,029)
Interest payable	20,395	25,334
Depreciation charges	131,372	88,485
Profit on the disposal of properties	-	(353,525)
Profit on the disposal of fixed assets	(1,282)	(1,746)
(Increase) / Decrease in stocks	(96,938)	2,430
(Increase) / Decrease in debtors	667,177	232,415
Increase / (Decrease) in creditors	679,892	(396,093)
Net cash from / (used in) from operating activities	1,536,255	(220,117)

23 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	
	2020	2019	2020	2019
	£	£	£	£
Less than one year	223,362	233,384	91,694	81,030
One to two years	224,979	141,375	29,164	13,817
Two to five years	69,981	139,379	9,662	9,662
Over five years	43,200	216,000	-	-
	561,522	730,138	130,520	104,509

24 Post balance sheet events

There were no post balance sheet events to report.

Affinity Trust

Notes to the financial statements

For the year ended 30 September 2020

25 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 2020, the contingent liability due to the Secretary of State for Health in the event of Affinity Trust selling all of the properties was:

	2020 £	2019 £
Accrued interest payable to the Secretary of State for Health	<u>2,819,387</u>	<u>2,694,645</u>

In our prior year accounts we noted a potential contingent liability risk relating to historical sleep in shifts. The Supreme Court sat in February 2020 to hear the appeal against the Court of Appeals 2018 ruling that sleep-in workers are entitled to be paid the NMW only when they are awake to carry out any relevant duties and therefore not for hours when they are asleep at their place of work during a sleep-in shift. The outcome of the appeal is awaited and due to significant uncertainty as to how the outcome of the appeal will be applied we are unable to quantify the impact.

26 Defined benefit pension schemes

NHS Pension Scheme

The NHS Pension Schemes are unfunded, defined benefit schemes that cover NHS employers, General Practices and other bodies, allowed under the direction of the Secretary of State, in England and Wales. Past and present employees are covered by the provisions of these two schemes. The schemes are not designed to be run in a way that would enable individual bodies to identify their share of the underlying scheme assets and liabilities and therefore each scheme is accounted for as if it were a defined contribution scheme with the cost of participation in the scheme taken as equal to the employers contribution rate which is currently 14.38% (2019: 14.3%). In order that the defined benefit obligations recognised in the financial statements do not differ materially from those that would be determined at the reporting date by a formal actuarial valuation, the FReM requires that "the period between formal valuations shall be four years, with approximate assessments in intervening years". An outline of these is as follows:-

a) Accounting Valuation

A valuation of scheme liability is carried out annually by the scheme actuary (currently the Government Actuary's Department) as at the end of the reporting period. This utilises an actuarial assessment for the previous accounting period in conjunction with updated membership and financial data for the current reporting period, and is accepted as providing suitably robust figures for financial reporting purposes. The valuation of scheme liability as at 31 March 2020 is based on valuation data at 31 March 2019, updated to 31 March 2020 with global member and accounting data. In undertaking this actuarial assessment, the methodology prescribed in IAS 19, relevant FReM interpretations, and the discount rate prescribed by HM Treasury have also been used. The latest assessment of the liabilities of the scheme is contained in the report of the scheme actuary, which forms part of the annual NHS Pension Scheme Accounts. These accounts can be viewed on the NHS Pensions website and are published annually. Copies can also be obtained from The Stationery Office.

26 Defined benefit pension schemes (continued)

NHS Pension Scheme (continued)

b) Full actuarial (funding) valuation

The purpose of this valuation is to assess the level of liability in respect of the benefits due under the schemes (taking into account recent demographic experience), and to recommend contribution rates payable by employees and employers. The last actuarial valuation undertaken for the NHS Pension Scheme was completed for the year ending 31 March 2016. The results of this valuation set the employer contribution rate payable from April 2019.

The 2016 funding valuation was also expected to test the cost of the Scheme relative to the employer cost cap set following the 2012 valuation. Following a judgement from the Court of Appeal in December 2018 Government announced a pause to that part of the valuation process pending conclusion of the legal process.

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.

Employers' pension contribution costs are applied to resources expended as and when they become due. The total employer contribution payable in the year ended 30 September 2020 by Affinity Trust was £372,883 (2019: £435,758). Employees pay contributions of between 5.6% and 9.3% (manual staff 5%) of their pensionable pay.

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, 8 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 between 5.8% and 6.5%. Total employer contributions to the WYPF for the year ended September 2020 were £0 (2019: £0) as Affinity Trust received confirmation from the actuary that no 'deficit funding' payment were required. 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 8 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.

Affinity Trust

Notes to the financial statements

For the year ended 30 September 2020

26 Defined benefit pension schemes (continued)

South Yorkshire Pension Fund

After the transfer of a number of services in Sheffield in November 2017, one employee retained their membership of the South Yorkshire Pension Fund (SYPF) 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 22.2% of salary and employees pay 6.5%. Total employer contributions to the SYPF for the year ended September 2020 were £8,692 (2019: £10,036).

27 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.

28 Financial instruments

The carrying amount of the Charity's financial instruments at 30 September was

	2020 £	2019 £
Financial assets		
Assets measured at Fair Value	2,752,018	2,766,825

29 Capital Commitments

Affinity Trust had a capital commitment of £408,406 at 30 September 2020 in respect of the remaining construction of 4 bungalows for supported living in Leicestershire.