

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

Affinity Trust

Report and financial statements
For the year ended 30 September 2019

Affinity Trust

Contents

For the year ended 30 September 2019

Reference and administrative information	1
Trustees' annual report	3
Independent auditor's report	14
Statement of financial activities (incorporating an income and expenditure account)	17
Balance sheet	18
Statement of cash flows	19
Notes to the financial statements	20

Affinity Trust

Reference and administrative information

For the year ended 30 September 2019

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

Company number 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	Chief Executive and Company Secretary
	N Brittle	Development Director
	S Hubble	Finance Director (appointed 19 August 2019)
	C Brooks	Finance Director (retired 25 October 2019)
	V Neish	Director of Operations and Quality
	D Leedham	Director of Operations and Quality
	A Kippax	Human Resources Director

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

T Barron	Chair (Appointed Trustee 1 August 2019 & Chair 1 October 2019)
M Thomas	Chair (retired 30 September 2019)
K Cameron	Vice Chair, Chair of the Remuneration, Asset Allocation and Nominations Committees
J Edwards	
J Hawthorne	
M Moody	
A Anketell	
Dr S Ross	Chair of the Quality Committee
T Tamblyn	Chair of the Finance and Audit Panel
D Walden	
S Rees	

Affinity Trust

Reference and administrative information

For the year ended 30 September 2019

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

Affinity Trust

Trustees' annual report

For the year ended 30 September 2019

The Trustees present their report and the audited financial statements for the year ended 30 September 2019.

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

Objectives and activities

Purposes and aims

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

Mission statement

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

Values

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

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

Reliable and always do what we say we will do;

Honest and open in all of our relationships and transactions;

Respectful of others, their views and their rights;

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

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

Affinity Trust supports over one thousand 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, including the Positive Behaviour Support service for children and young people in Bradford.

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.

Affinity Trust

Trustees' annual report

For the year ended 30 September 2019

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 3).

Strategic Report

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

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

Achievements and performance

The charity's main activities and beneficiaries are described below. 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.

The main achievements during the year were:-

- The organisation has continued to grow its provision of services into new geographic areas, in particular in the South West with new services in the Mendip area, also in Aberdeen in Scotland. The organisation also continued to grow through individual referrals made on existing Framework agreements in a number of other areas. The value of new contracts gained during the year was £2.6m.

Affinity Trust

Trustees' annual report

For the year ended 30 September 2019

- This year saw the continued organisational implementation of Active Support principles and training following the successful pilots last year.
- The quality of our services remains of paramount importance and the Trustees consider that the standard of support provided is very high and this is borne out by positive ratings from our regulators the Care Quality Commission and SCCI - 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.
- In response to the staff engagement survey, we launched a number of recognition initiatives including long service awards and 'instant reward vouchers' for employees to spend. We also held an internal awards competition and event. Two of our staff teams won awards at the National Learning Disability and Autism Awards and our service for Children and Young People won an Excellence Award from the British Institute of Learning Disabilities.
- Total reserves increased by £0.3m since the start of the year, although cash decreased by £1.9m which was due to £1.2m movement of funds from Coutts current account into investments, £0.2m reduction due to operating cash-flows, £0.4m repayment of borrowings and net £0.1m reduction in cash due to sale and investment in property. With times being extremely challenging for Local Authorities, the financial resilience of our organisation becomes ever more important and it is pleasing to report such positive progress in this area.

Financial review

For the year ended 30 September 2019 Affinity Trust achieved a positive net movement in funds of £0.3m being 0.5% on all its activities (prior year £0.6m being 1% on all activities). The reduction in surplus vs prior year was in part due to higher costs of pensions and holiday pay and a full year of costs of sleep ins which are paid by "topping up" overall earnings to National Living Wage (NLW). Overall income was similar to last year with the growth referred to above offset by the loss of our services in Southend in May, (where we decided not to bid for the re-tendered contract due to the low price cap) and Windsor/Maidenhead in August (where the Council decided to give the contract for the well regarded service to its own arm's length provider).

Wage inflation via the NLW, and pension inflation following the final uplifts in contribution rates under Auto-Enrolment regulations, have had a material impact on the organisation's cost base. Although the majority of Local Authorities that we work with have made some level of contribution towards these additional costs in the form of uplifts on hourly rates, the level of uplift on average does not cover the full cost. In addition, some Local Authorities have been unable to make any increases to their hourly rates due to their own financial constraints. As a result, the financial pressures mean that the organisation has had to review even more closely than usual its costs.

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

Affinity Trust

Trustees' annual report

For the year ended 30 September 2019

Turnover of staff remains the most challenging area for the organisation reflecting the broader picture across the social care sector, where staff turnover rates have increased significantly over the past few years. The annual rate of staff turnover at Affinity Trust has remained reasonably stable over the last three years, and this year the rate reduced by 1.2% to 29.8% from c 31% over the prior two years, which in the context of an increasing rate over the past six years, is viewed as a very positive result.

The centralised recruitment team at our head office in Thame was fully established during the year with the aim of increasing candidate attraction and reducing recruitment timescales. Investment was made into a new recruitment system with the aim of increasing the speed with which the recruitment process operates and for providing greater management information to aid decision making.

Despite the slight reduction in staff turnover, ongoing challenges with recruitment resulted in agency costs increasing again this year to 7.7% as a percentage of our income compared with 7.1% last year.

Our objectives to increase financial resilience included plans to reduce debtors and this was achieved with less than £0.3m of debt older than 90+ days, and overall debtor days standing at 25 days (27 days last year). Cash balances reduced during the year following the decision to reinvest £1.2m of cash back into the investment portfolio managed by Coutts.

The social care sector in general awaits 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.

In relation to our property assets, we disposed of two small homes in Gloucestershire and Reading in October and December 2018 respectively which were surplus to operational requirements in the local areas although the need for accommodation for people with learning disabilities remains a priority more generally. The proceeds were reinvested with the acquisition of two new properties, both in Leicestershire, one being a large bungalow on a large site that is intended for redevelopment into specialist accommodation for four people.

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 payroll expenditure (c. £4m) 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. Free reserves of £9.9m are above the minimum amount due to the generation of additional funds during the year given the ongoing uncertainty relating to sleep in shifts. The current level of cash backed reserves (including investments, which are held for the long term but are in effect "liquid" assets) is £8.5m and the organisation is well placed as it enters the new financial year.

Total designated funds are £3m. The majority (£2.3m) is fixed assets net of loans as the fixed assets are mainly properties that are people's homes that could not be realised in the short or medium term. The balance

Affinity Trust

Trustees' annual report

For the year ended 30 September 2019

is designated reserves for a series of projects that the organisation intends to invest in and these project funds will mostly be expended within the next 24 months.

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).

Any cash funds not immediately required for working capital are held as short-term (less than one year, typically 95 day notice) bank deposits. This position is reviewed regularly and decisions as to alternative investments are considered by the Board when considered necessary. When cash balance levels increase (and where these additional funds are not invested with Coutts) transfers are made from our main account with NatWest to holdings in Barclays and Bank of Scotland to reduce the organisation's overall financial risk in the event of a banking sector failure.

Investment policy

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

Despite the ongoing risks associated with Brexit and the "trade war" between China and the USA, stock markets remained fairly stable during the year, and an additional £1.2m was reinvested into the portfolio which increased the overall value of the investment portfolio to c £2.7m by year end. The investments are made for the long term and short-term fluctuations in value do not present a concern.

Fundraising Policy and Approach

As reflected in the Statement of Financial Activities and in Note 3 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 is undertaken and we do not contract with any third parties to fundraise on our behalf. Consequently we do not need to be registered with the Fundraising Regulator. Occasionally we receive voluntary donations from members of the public or family and friends of people we support and to avoid potential conflicts of interest our policy is that our staff should not proactively fundraise for the people they are supporting.

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:

- Pressures on local authority spending and cost pressures created by the NLW/Scottish Living Wage, increased costs of holiday pay and the ongoing impact of additional costs paid to staff who work sleep in shifts (see also comments in Financial Review section above). These areas are managed by regular financial forecasting and regular discussions and negotiations with local authority commissioning and contract partners to seek additional funding where this is needed. We were successful in agreeing additional funding from the majority of Local Authorities and other commissioning partners in relation to the increase in NLW at 1 April 2019 however the additional costs of higher Auto- enrolment pension, holiday pay and sleep ins (and the "on-cost" impact of these on employer national insurance payments) are not generally being fully funded within Local Authority settlements.
- 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 two significant contracts (Southend supported living and Windsor/Maidenhead Supported Living) were lost in the year.
- Difficulties in recruiting and retaining staff which may have an impact on the quality of support provision – as referred to earlier in this report this is the greatest area of challenge for the organisation at the present time and continued focus is placed on our recruitment processes and engagement with staff to identify improved methods of candidate attraction, and reduce the number of reasons for staff leaving the organisation. These efforts have been strengthened via the setting up of the specialist centralised recruitment team at the Head Office in Thame.
- 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, and that no complaint have been received.

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. The roll-out of Active Support will be central to this. The challenges facing the broader sector are mainly in relation to pressures on Local Authority funding at the same time as costs are rising at above inflationary levels due to NLW and increasing auto-enrolment related pension costs. Affinity Trust will continue to review the organisation and its structure for opportunities to deliver operating efficiencies.

As well as financial challenges we recognise that opportunities are also apparent, for example the Transforming Care Programme, which will create greater opportunities for people with specialist and complex needs to be supported in the community. To this end we have created and invested in a Specialist Support Division to provide more specialist and focused expertise

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

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 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:

The Finance and Audit Panel which meets six times a year and reviews management accounts, draft financial statements, budgets and forecasts, compliance with financial regulations, appointment of auditors, bankers and other external service providers, financial risk assessments, the Treasury Management and Investment

Affinity Trust

Trustees' annual report

For the year ended 30 September 2019

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;

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

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

The Remuneration Committee which comprises of three Trustees 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 8 to the financial statements.

The Board of Trustees delegates day-to-day responsibility for the management of the organisation to the Chief Executive and Senior Management Team consisting of the Finance Director, Human Resources Director, two Directors of Operations and Quality and the Development Director. The company's activities are now structured into 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, Southend BC and Suffolk

North – Leeds and Sheffield

North West – Bradford MBC and Tameside

Scotland - South Ayrshire, Argyll and Bute

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

South East - Kent and East Sussex

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

Central – Leicestershire County and Leicester City Council

South West – Somerset

Children and Young People

Specialist Support

Remuneration policy for key management personnel

As outlined above under Structure, Governance and Management, the Remuneration Committee is a sub-committee of the Board comprised of three Trustees 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.

Policy for employment of disabled persons

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

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

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

Employee information

Affinity Trust involves its employees in the affairs, policy and performance of the organisation through a system of staff forums in each geographic division, team meetings, newsletters and staff surveys (including the second organisation wide employee engagement survey referred to earlier). The annual Business Plan is communicated to managers by the Senior Management Team either 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 will be addressed during the year ahead.

Statement on Modern Slavery

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

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").

Charity Governance Code

The Trustees follow the Charity Governance Code and as part of its commitment to the code the Board undertook a full review of the organisations performance against the seven principles of the code during the year.

Statement of responsibilities of the Trustees

The Trustees (who are also directors of Affinity Trust for the purposes of company law) are responsible for preparing the Trustees' annual report including the strategic report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). Company law requires the Trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charitable company and of the incoming resources and application of resources, including the income and expenditure, of the charitable company for that period. In preparing these financial statements, the Trustees are required to:

Affinity Trust

Trustees' annual report

For the year ended 30 September 2019

- 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.

In so far as the Trustees are aware:

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

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

Guarantees

Members of the company guarantee to contribute an amount not exceeding £1 to the assets of the company in the event of winding up. The total number of guarantors at 30 September 2019 was 20 (2018 - 20). Members of the Board of Trustees have no beneficial interest in the organisation.

The Trustees' annual report which includes the strategic report has been approved by the Trustees on 9th January 2020.



Tanya Barron
Chair

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

Opinion

We have audited the financial statements of Affinity Trust (the 'charitable company') for the year ended 30 September 2019 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 2019 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 pages 12-13, 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 15 January 2020

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 2019

	Note	Unrestricted £	Restricted £	2019 Total £	Unrestricted £	Restricted £	2018 Total £
Income from:							
Donations and legacies	3	-	2,250	2,250	-	5,424	5,424
Charitable activities							
Supported living	4	49,558,927	-	49,558,927	47,330,628	-	47,330,628
Shared living	4	3,757,537	-	3,757,537	4,054,824	-	4,054,824
Outreach services	4	1,972,128	-	1,972,128	1,651,435	-	1,651,435
Supported employment & day opportunities	4	755,190	-	755,190	767,475	-	767,475
Social enterprises	4	505,570	-	505,570	461,065	-	461,065
Housing	4	394,673	-	394,673	441,252	-	441,252
Investments	5	76,029	-	76,029	43,891	-	43,891
Surplus on disposal of property		353,525	-	353,525	444,790	-	444,790
Total income		57,373,579	2,250	57,375,829	55,195,360	5,424	55,200,784
Expenditure on:							
Raising funds							
Investment manager's fees	6	9,048	-	9,048	9,090	-	9,090
Charitable activities							
Supported living	6	50,051,073	1,418	50,052,491	47,762,293	3,732	47,766,025
Shared living	6	3,518,818	-	3,518,818	3,584,773	-	3,584,773
Outreach services	6	1,833,231	-	1,833,231	1,592,647	-	1,592,647
Supported employment & day opportunities	6	768,466	-	768,466	771,871	-	771,871
Social enterprises	6	413,843	-	413,843	400,568	-	400,568
Housing	6	521,320	-	521,320	556,651	-	556,651
Total expenditure		57,115,799	1,418	57,117,217	54,677,893	3,732	54,681,625
Net income before net gains on investments		257,780	832	258,612	517,467	1,692	519,159
Net gains on investments		24,098	-	24,098	40,744	-	40,744
Net income for the year	7	281,878	832	282,710	558,211	1,692	559,903
Reconciliation of funds:							
Total funds brought forward		12,634,126	307,068	12,941,194	12,075,915	305,376	12,381,291
Total funds carried forward	21	12,916,004	307,900	13,223,904	12,634,126	307,068	12,941,194

Affinity Trust

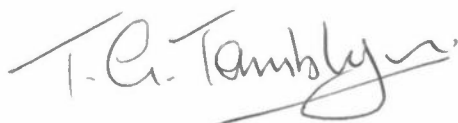
Balance sheet

Company no. 6893564

As at 30 September 2019

	Note	£	2019 £	£	2018 £
Fixed assets:					
Housing properties	12		3,761,767		3,439,709
Other tangible fixed assets	13		171,081		123,840
Investments	14		2,766,825		1,511,407
			<u>6,699,673</u>		<u>5,074,956</u>
Current assets:					
Stocks	15	73,990		76,420	
Debtors	16	6,554,410		6,786,825	
Cash at bank and in hand		5,749,664		7,629,633	
			<u>12,378,064</u>	<u>14,492,878</u>	
Liabilities:					
Creditors: amounts falling due within one year	17	4,874,271		5,344,269	
			<u>7,503,793</u>	<u>9,148,609</u>	
Net current assets					
			<u>14,203,466</u>	<u>14,223,565</u>	
Total assets less current liabilities					
Creditors: amounts falling due after one year	19		979,562		1,282,371
			<u>13,223,904</u>	<u>12,941,194</u>	
Total net assets					
			<u>13,223,904</u>	<u>12,941,194</u>	
The funds of the charity:					
	21				
Restricted income funds			307,900		307,068
Unrestricted income funds:					
Designated funds		3,030,466		3,264,900	
General funds		9,885,538		9,369,226	
			<u>12,916,004</u>	<u>12,634,126</u>	
Total unrestricted funds					
			<u>13,223,904</u>	<u>12,941,194</u>	

Approved by the trustees on 9 January 2020 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 2019

	Note	2019	2018
		£	£
Net cash (used in) / from operating activities	22	(220,117)	1,038,219
Cash flows from investing activities:			
Dividends from investments		40,367	36,900
Interest received		35,662	6,991
Interest paid		(25,334)	(25,038)
Proceeds from the sale of property fixed assets		657,808	1,083,098
Proceeds from the sale of non-property fixed assets		1,746	1,103
Purchase of fixed assets		(762,067)	(57,231)
Proceeds from sale of investments		1,541,851	181,989
Purchase of investments		(2,778,189)	(170,418)
Net cash (used in) / from investing activities		(1,288,156)	1,057,394
Cash flows from financing activities:			
Repayments of borrowing		(376,714)	(189,358)
Cash inflows from new borrowing		-	150,000
Net cash used in financing activities		(376,714)	(39,358)
Change in cash and cash equivalents in the year		(1,884,987)	2,056,255
Cash and cash equivalents at the beginning of the year		7,629,633	5,612,758
Change in cash and cash equivalents in respect of cash held by investment manager		5,018	(39,380)
Cash and cash equivalents at the end of the year		5,749,664	7,629,633

Affinity Trust

Notes to the financial statements

For the year ended 30 September 2019

1 Accounting policies

a) Statutory information

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

b) Basis of preparation

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

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

c) Public benefit entity

The charitable company meets the definition of a public benefit entity under FRS 102 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 which support the fact that the charity is a going concern.

e) Income

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

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

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

f) Income from investments

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

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

1 Accounting policies (continued)

g) Fund accounting

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

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

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

h) Expenditure and irrecoverable VAT

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

Costs of raising funds relate to the costs incurred by the charitable company in generating investment income via its investment portfolio managed by Coutts & Co.

Expenditure on charitable activities includes the costs of delivering the supported living, registered care and outreach/opportunities services in addition to the cost of the social enterprise and housing activities.

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

i) Allocation of support and governance costs

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

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

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

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

1 Accounting policies (continued)

l) Listed investments

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

m) Stocks

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

n) Debtors

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

o) Cash at bank and in hand

Cash at bank and cash in hand includes cash and short term 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, South Yorkshire Pension Fund and the Essex 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).

1 Accounting policies (continued)**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

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

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

3 Income from donations

	Unrestricted £	Restricted £	2019 Total £	2018 Total £
Donations	-	2,250	2,250	5,424
	-	2,250	2,250	5,424

Affinity Trust

Notes to the financial statements

For the year ended 30 September 2019

4 Income from charitable activities

	Unrestricted £	Restricted £	2019 Total £	2018 Total £
Supported living				
Local and NHS authorities	48,791,512	-	48,791,512	46,947,119
Supporting People	-	-	-	-
Contributions from the people we support	767,415	-	767,415	383,509
Sub-total for Supported living	49,558,927	-	49,558,927	47,330,628
Shared living				
Local authorities	3,745,825	-	3,745,825	4,044,491
Contributions from the people we support	11,712	-	11,712	10,333
Sub-total for Shared living	3,757,537	-	3,757,537	4,054,824
Outreach services				
Local authorities	1,877,233	-	1,877,233	1,631,457
Contributions from the people we support	94,895	-	94,895	19,978
Sub-total for Outreach services	1,972,128	-	1,972,128	1,651,435
Supported employment & day opportunities				
Local authorities	648,574	-	648,574	755,679
Contributions from the people we support	106,616	-	106,616	11,796
Sub-total for Supported employment & day opportunities	755,190	-	755,190	767,475
Social enterprises				
Trading sales	505,570	-	505,570	461,065
Sub-total for Social enterprises	505,570	-	505,570	461,065
Housing				
Local authorities	61,380	-	61,380	81,209
Housing benefit	209,727	-	209,727	201,414
Contributions from the people we support	123,566	-	123,566	158,629
Sub-total for Housing	394,673	-	394,673	441,252
Total income from charitable activities	56,944,025	-	56,944,025	54,706,679

5 Income from investments

	Unrestricted £	Restricted £	2019 Total £	2018 Total £
Bank interest	35,662	-	35,662	6,991
Income from investments	40,367	-	40,367	36,900
	76,029	-	76,029	43,891

Affinity Trust

Notes to the financial statements

For the year ended 30 September 2019

6 Analysis of expenditure

	Charitable activities									2019 Total £	2018 Total £
	Cost of raising funds £	Supported living £	Shared living £	Outreach services £	Supported employment & day opportunities £	Social enterprises £	Housing £	Support costs £	Governance costs £		
Staff costs (Note 8)	-	42,369,906	2,712,849	1,519,298	588,293	121,290	-	4,554,506	55,146	51,921,288	49,602,371
Training	-	359,104	22,331	14,892	5,165	1,159	-	32,813	-	435,464	548,262
Recruitment	-	190,208	11,645	7,773	2,730	604	-	(25,645)	20,415	207,730	227,258
Insurance	-	75,274	4,759	2,797	1,055	235	193	14,418	264	98,995	170,550
Transport and travel costs	-	394,022	113,470	54,312	20,966	3,062	-	401,967	39,601	1,027,400	863,842
Property related costs	-	277,647	113,624	5,708	55,531	39,515	414,250	784,461	270	1,691,006	1,564,958
Office costs	-	230,063	18,557	14,135	7,264	1,599	-	407,127	389	679,134	538,020
Regulatory, advisory & professional fees payable	9,048	147,577	12,842	3,887	1,344	11,059	37,568	241,460	23,494	488,279	417,665
Trading purchases	-	-	-	-	-	214,155	-	-	-	214,155	204,570
Activities	-	14,549	28,900	-	3,747	1,558	-	1,336	-	50,090	52,441
Food and household goods	-	98,210	100,542	2,191	2,534	1,479	-	27,070	-	232,026	245,770
Sundries	-	(13,918)	905	(3,677)	(2,220)	1,210	69,309	16,797	3,244	71,650	245,918
	9,048	44,142,642	3,140,424	1,621,316	686,409	396,925	521,320	6,456,310	142,823	57,117,217	54,681,625
Support costs	-	5,781,944	370,205	207,329	80,280	16,552	-	(6,456,310)	-	-	-
Governance costs	-	127,905	8,189	4,586	1,777	366	-	-	(142,823)	-	-
Total expenditure 2019	9,048	50,052,491	3,518,818	1,833,231	768,466	413,843	521,320	-	-	57,117,217	54,681,625
Total expenditure 2018	9,090	47,766,025	3,584,773	1,592,647	771,871	400,568	556,651	-	-	54,681,625	

Affinity Trust

Notes to the financial statements

For the year ended 30 September 2019

7 Net income / (expenditure) for the year

This is stated after charging / (crediting):

	2019 £	2018 £
Depreciation	88,485	89,758
Inventory recognised as an expense	228,839	217,073
Impairment reversals	-	(133,894)
Profit on disposal of non-property fixed assets	(1,746)	(1,103)
Interest payable on long term loans	25,334	25,038
Surplus on disposal of properties	(353,525)	(444,790)
Operating lease rentals:		
Property	525,083	577,677
Other	130,041	110,116
Auditor's remuneration (excluding VAT):		
Audit	18,500	19,450
Other services	-	3,000
	<u> </u>	<u> </u>

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

Staff costs were as follows:

	2019 £	2018 £
Salaries and wages	42,627,258	41,126,033
Redundancy and termination costs (paid and settled)	31,348	16,529
Social security costs	3,508,124	3,394,932
Employer's contribution to defined contribution pension schemes	455,732	557,199
Operating costs of defined benefit pension schemes treated as defined contribution pension schemes	913,936	604,313
	<u>47,536,398</u>	<u>45,699,006</u>
Agency costs	4,384,890	3,903,365
	<u>51,921,288</u>	<u>49,602,371</u>

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

	2019 No.	2018 No.
£70,000 - £79,999	-	1
£80,000 - £89,999	5	4
£120,001 - £130,000	1	1
	<u> </u>	<u> </u>

The total employee benefits (including employer pension contributions and employer's national insurance) of the key management personnel were £595,309 (2018: £573,110). In addition, the following was paid to trustees:

	2019 £	2018 £
Board of trustees' remuneration	53,471	51,262
Board of trustees' expenses	42,656	33,732
	<u>96,127</u>	<u>84,994</u>

Affinity Trust

Notes to the financial statements

For the year ended 30 September 2019

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

Board members were paid £4,513 each (2018: £4,430). Board members who are also members of the Finance and Audit Panel were paid £5,296 each (2018:£5,200) and Board members who are also members of the Quality Committee were paid £5,037 each (2018: £4,945). The Chairman was paid £8,291 (2018: £8,147).

Travel, subsistence, phone and IT expenses were incurred on behalf of 11 (2018: 10) Trustees in the course of their duties. There has been an overlap of the outgoing Chair Person and the new Chair Person taking over for the last three months. There are 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:-

	2019	2018
	£	£
M Thomas (Chairman)	8,291	8,140
K Cameron (Vice Chair)	5,296	5,200
S Ross	5,037	4,945
T Tamblyn	5,296	5,200
D Walden	5,296	5,200
A Taylor	-	4,430
J Hawthorne	5,296	5,200
A Anketell	4,513	4,430
M Moody	5,037	4,945
J Edwards	4,513	3,203
C Gabriel	-	369
S Rees	3,390	-
T Barron	1,506	-
	<u>53,471</u>	<u>51,262</u>

9 Staff numbers

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

	2019	2018
	No.	No.
Shared living	112	110
Supported living	1,670	1,650
Outreach services	75	60
Supported employment & day opportunities	37	36
Social enterprises	9	9
Housing	2	1
Support	131	119
	<u>2,036</u>	<u>1,985</u>

10 Related party transactions

There are no related party transactions to disclose for 2019 (2018: none) other than those disclosed in note 7.

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

11 Taxation

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

12 Tangible fixed assets

	Housing Assets Owned Outright		
	Freehold property £	Alterations £	Total £
Cost			
At the start of the year	2,687,707	303,976	2,991,683
Additions in year	580,487	57,334	637,821
Disposals in year	(302,000)	(29,386)	(331,386)
At the end of the year	2,966,194	331,924	3,298,118
Depreciation			
At the start of the year	-	231,303	231,303
Charge for the year	-	9,506	9,506
Eliminated on disposals	-	(27,101)	(27,101)
At the end of the year	-	213,708	213,708
Net book value			
At the end of the year	2,966,194	118,216	3,084,410
At the start of the year	2,687,707	72,673	2,760,380
	Other Housing Assets		
	Freehold property £	Alterations £	Total £
Cost			
At the start of the year	755,000	249,309	1,004,309
At the end of the year	755,000	249,309	1,004,309
Depreciation			
At the start of the year	95,388	229,592	324,980
Depreciation charge	-	1,972	1,972
At the end of the year	95,388	231,564	326,952
Net book value			
At the end of the year	659,612	17,745	677,357
At the start of the year	659,612	19,717	679,329

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 property £	Alterations £	Total £
Net book value			
At the end of the year	3,625,806	135,961	3,761,767
At the start of the year	3,347,319	92,390	3,439,709

13 Other tangible fixed assets

	Cars and office equipment		
	Cars £	Office equipment £	Total £
Cost			
At the start of the year	82,628	566,319	648,947
Additions in year	-	124,246	124,246
At the end of the year	<u>82,628</u>	<u>690,565</u>	773,193
Depreciation			
At the start of the year	82,628	442,477	525,105
Charge for the year	-	77,007	77,007
At the end of the year	<u>82,628</u>	<u>519,484</u>	602,112
Net book value			
At the end of the year	<u>-</u>	<u>171,081</u>	171,081
At the start of the year	<u>-</u>	<u>123,840</u>	123,840

All of the above assets are used for charitable purposes.

14 Investments

	2019 £	2018 £
Fair value at the start of the year	1,451,377	1,422,204
Additions	2,778,189	170,418
Disposal proceeds	(1,541,851)	(181,989)
Net gain on change in fair value	<u>24,098</u>	<u>40,744</u>
Cash balance held by investment manager	<u>2,711,813</u>	<u>1,451,377</u>
	55,012	60,030
Fair value at the end of the year	<u>2,766,825</u>	<u>1,511,407</u>
Historic cost at the end of the year	<u>2,711,456</u>	<u>1,300,377</u>
Investments comprise:		
	2019 £	2018 £
UK/Europe/North America/Emerging markets common investment funds	2,711,813	1,451,377
Cash	55,012	60,030
	<u>2,766,825</u>	<u>1,511,407</u>

15 Stocks

	2019 £	2018 £
Stocks held at Englefield Garden Centre	<u>73,990</u>	<u>76,420</u>
	73,990	76,420

Affinity Trust

Notes to the financial statements

For the year ended 30 September 2019

16 Debtors	2019 £	2018 £
Trade debtors	4,280,481	4,341,166
Other debtors	41,787	195,276
Prepayments and accrued income	2,232,142	2,250,383
	<u>6,554,410</u>	<u>6,786,825</u>

17 Creditors: amounts falling due within one year	2019 £	2018 £
Bank loans	121,758	195,663
Trade creditors	733,719	650,065
Taxation and social security	864,927	838,978
Other creditors	674,350	864,160
Accruals and deferred income	2,479,517	2,795,403
	<u>4,874,271</u>	<u>5,344,269</u>

18 Deferred income

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

	2019 £	2018 £
Balance at the beginning of the year	725,918	964,062
Amount released to income in the year	(725,918)	(964,062)
Amount deferred in the year	580,195	725,918
	<u>580,195</u>	<u>725,918</u>

19 Creditors: amounts falling due after one year

	2019 £	2018 £
Bank loans	515,762	818,571
Repayable grants:		
Secretary of State for Health	463,800	463,800
	<u>979,562</u>	<u>1,282,371</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

Notes to the financial statements

For the year ended 30 September 2019

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

Maturity of total debt is as follows

	2019 £	2018 £
In one year or less	121,758	195,663
Between one and two years	87,266	164,630
Between two and five years	393,181	554,620
Over five years	499,115	563,121
	<u>1,101,320</u>	<u>1,478,034</u>

20a Analysis of net assets between funds (current 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>

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

	General unrestricted £	Designated £	Restricted £	Total funds £
Tangible fixed assets	-	3,263,549	300,000	3,563,549
Investments	1,511,407	-	-	1,511,407
Net current assets	7,857,819	1,283,722	7,068	9,148,609
Creditors due after more than one year	-	(1,282,371)	-	(1,282,371)
Net assets at 30 September 2018	<u>9,369,226</u>	<u>3,264,900</u>	<u>307,068</u>	<u>12,941,194</u>

Affinity Trust

Notes to the financial statements

For the year ended 30 September 2019

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	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

Affinity Trust

Notes to the financial statements

For the year ended 30 September 2019

21b Movements in funds (prior year)

	At the start of the year £	Income & gains £	Expenditure & losses £	Transfers £	At the end of the year £
Restricted funds:					
Ayrshire Activity club	3,025	500	(1,325)	-	2,200
Score Fund	1,351	4,924	(2,407)	-	3,868
Little Glen Road	300,000	-	-	-	300,000
Reading Services	1,000	-	-	-	1,000
Total restricted funds	305,376	5,424	(3,732)	-	307,068
Unrestricted funds:					
Designated funds:					
Property fund	2,171,971	-	-	-	2,171,971
Other tangible fixed assets	127,971	-	-	-	127,971
Project management fund	359,894	-	(146,325)	745,000	958,569
Assistive technology fund	4,742	-	(121)	-	4,621
Midlands Rugby Fund	2,149	-	(381)	-	1,768
Total designated funds	2,666,727	-	(146,827)	745,000	3,264,900
General funds	9,409,188	55,236,104	(54,531,066)	(745,000)	9,369,226
Total unrestricted funds	12,075,915	55,236,104	(54,677,893)	-	12,634,126
Total funds at 30 September 2018	12,381,291	55,241,528	(54,681,625)	-	12,941,194

Purposes of restricted funds

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

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.

Purposes of designated funds

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

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

Notes to the financial statements

For the year ended 30 September 2019

21 Movements in funds (continued)

Purposes of designated funds (continued)

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

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

	2019 £	2018 £
Net income for the reporting period (as per the statement of financial activities)	282,710	559,903
Gains on investments	(24,098)	(40,744)
Dividends and interest from investments	(76,029)	(43,891)
Interest payable	25,334	25,038
Depreciation charges	88,485	89,758
Impairment reversals	-	(133,894)
Profit on the disposal of properties	(353,525)	(444,790)
Profit on the disposal of fixed assets	(1,746)	(1,103)
Increase in stocks	2,430	6,936
Increase in debtors	232,415	83,221
(Increase) / decrease in creditors	(396,093)	937,785
Net cash (used in) / from operating activities	(220,117)	1,038,219

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	
	2019 £	2018 £	2019 £	2018 £
Less than one year	233,384	221,680	81,030	112,106
One to two years	141,375	113,279	13,817	51,278
Two to five years	139,379	77,114	9,662	29,357
Over five years	216,000	5,600	-	-
	730,138	417,673	104,509	192,741

24 Post balance sheet events

There are no post balance sheet events to report.

Affinity Trust

Notes to the financial statements

For the year ended 30 September 2019

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 2019, the contingent liability due to the Secretary of State for Health in the event of Affinity Trust selling all of the properties is:

	2019	2018
	£	£
Accrued interest payable to the Secretary of State for Health	<u>2,694,645</u>	<u>2,537,254</u>

In our prior year accounts we noted a potential contingent liability risk relating to historical sleep in shifts. As referred to in the Trustees' report, the subsequent Court of Appeal judgement in the Royal Mencap Society vs Tomlinson-Blake case was extremely positive for Affinity Trust and confirmed our view that the organisation had paid its employees correctly, which has been further validated by HMRC's updated guidance on working time and sleep in shifts which confirms that staff are not working for NMW purposes. Whilst the matter may be subject to further legal/regulatory review in the future, in the absence of any adverse finding at the current time it is not possible to quantify any potential liability were any future challenge to arise. We await the outcome of the appeal hearing in February 2020.

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 14.3%. 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 2019 is based on valuation data at 31 March 2018, updated to 31 March 2019 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 Department of Health and Social Care have recently laid Scheme Regulations confirming that the employer contribution rate will increase to 20.6% of pensionable pay from this date.

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 2019 by Affinity Trust was £435,758 (2018: £516,640). Employees pay contributions of 6.5% (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, 12 employees retained their membership of the West Yorkshire Pension Fund (WYPF) which is a defined benefit scheme and operates under the provisions of the Local Government Pension Scheme (Administration) Regulations 2008 (as amended). The employer's normal contribution rate is 15.8% of salary and employees pay 6.5%. Total employer contributions to the WYPF for the year ended September 2019 were £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 12 employees at the end of the contract remains with the Council. The financial statements therefore reflect only the value of the monthly employer contributions described above. Following a triannual actuarial revaluation of the scheme, Affinity Trust were advised that an actuarial surplus had accumulated since the contract commenced and as a result no monthly contributions were required to be paid after March 2014.

Affinity Trust

Notes to the financial statements

For the year ended 30 September 2019

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 21% of salary and employees pay 6.5%. Total employer contributions to the SYPF for the year ended September 2019 were £10,036 (2018: £10,074).

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

	2019 £	2018 £
Financial assets		
Debt instruments measured at amortised cost	6,185,429	6,446,365
	<hr/> <hr/>	<hr/> <hr/>
Financial liabilities		
Measured at amortised cost	4,408,711	5,061,744
	<hr/> <hr/>	<hr/> <hr/>

