

HF Trust Limited

**Annual Report and Consolidated Financial Statements
for the year ended 31 March 2016**

REFERENCE AND ADMINISTRATIVE DETAILS

ROYAL PATRON HRH The Princess Royal

TRUSTEES Prof David Croisdale-Appleby OBE (Chairman) (*resigned 20.8.15*)
Baroness Judith Jolly (Chairman) (*appointed 29.1.16*)
Simon Llewellyn (Vice Chairman)
Richard Barber OBE
Sarah Buckley
Dr Michael Chadwick
Ian Cooper
Madeleine Cowley
Nigel Doggett
Prof Anthony Holland CBE
Charles Liddiard
Steve Loraine (*resigned 30.4. 2016*)
Barbara McIntosh
Martin Taylor
Dr Rowena Tye OBE
John Waite
Ros Wells
Robert Wood (*resigned 1.9.15*)

EXECUTIVE MANAGEMENT Robert Longley-Cook (*Chief Executive*)
Hilary Crowhurst (*Executive Director of Operations and Development*)
Chris Hughes (*Executive Director of Environments*)
Peter Needham (*Director of Finance and Company Secretary until 31 July 2016*)
Louisa McCann (*Interim Director of Finance and Company Secretary from 1 July 2016*)
Jacqui Roynon (*Executive Director of People and Communications*)
Emma Sambrook (*Director of Fundraising*)
Steve Barnard (*Strategic Director of Innovation*)

PRINCIPAL BANKERS Lloyds TSB Bank plc
Canons House
Canons Way
Bristol
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AUDITORS RSM UK Audit LLP
Hartwell House
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SOLICITORS TLT Solicitors
1 Redcliff Street
Bristol
BS1 6TP

INVESTMENT MANAGERS Investec
2 Gresham Street
London
EC2V 7QN

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Emersons Green
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BS16 7FL

REFERENCE DETAILS HF Trust Limited often uses the abbreviation "Hft".
The company is registered charity number 313069.
The company is registered in England and Wales as company number 734984.

WEBSITE Website address is: www.Hft.org.uk

Report of the Council

The Council submits its Annual Report and the Financial Statements for the year ended 31 March 2016.

The annual report and financial statements have been prepared in accordance with the requirements of the Companies Act 2006, the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102), Statement of Recommended Practice 'Accounting and Reporting by Charities' ('FRS102'), and the Charities Act 2011.

STRUCTURE, GOVERNANCE AND MANAGEMENT

Constitution and status

HF Trust Limited ("Hft") is a company limited by guarantee and is registered in England and Wales under Registration No. 734984. It is also a registered charity and its charity Registration No. is 313069. The company's governing document is the Memorandum and Articles of Association, dated 27 April 2013. Hft is a membership organisation and the liability of each member is £1. Trustees of Hft are either elected or nominated from the membership and members of the Council of Trustees are the Directors of the Company.

Organisational structure and governance

Council

The Council is made up of the Trustees of Hft appointed from the membership.

During the financial year 2015/16 there were three categories of Trustee:

- a) Elected:** A minimum of eight and a maximum of fifteen members are elected by the members of Hft to serve as Elected Trustees for a maximum of two three year terms.
- b) Long-term:** An Elected Trustee can be appointed by the Council to serve as a Long-term Trustee for up to six years.
- c) Nominated:** A minimum of eight and a maximum of fifteen members can be appointed by the Council for their expertise to serve for three years as Nominated Trustees. Nominated Trustees will normally serve for a maximum of two three year terms, and may only stand for a subsequent third term with the approval of Council.

In addition, a member can be co-opted by Council to fill an Elected Trustee vacancy during the year. Co-opted Trustees, if they wish to continue, have to seek election at the first Annual General Meeting after their appointment.

The total number of Trustees cannot be less than sixteen or more than thirty. The Council of Trustees meets at least 4 times a year, and also holds an annual general meeting for members. The executive management team members also attend the Council meetings and committees.

Trustees cannot also be members of staff, and Trustees do not receive any remuneration or any other benefits from Hft other than payment of reasonable expenses.

Council Committees

The Council of Trustees delegates some of its powers and functions to six standing Committees, each of which covers specific aspects of the Trust's work.

Each Committee has its own terms of reference, and their reports and minutes are standing agenda items for the main Council meetings. Each Committee is chaired by a Trustee and includes appropriate members of the senior executive management. The Committees are as follows:

Support Policy and Practice Committee - Reviews current and proposed Government policy, standards and practice relevant to Hft's operations. This Committee oversees Hft's marketing strategy in response to the changing demands of the marketplace in which we operate. This Committee also monitors the overall quality of the services delivered by Hft.

Nominations, Governance and Remuneration Committee – Ensures that the Trust has an up to date governance model, which maximises the overall effectiveness of the Trust. This Committee is also responsible for the recruitment, evaluation, induction and on-going training of Trustees, with a prime objective of ensuring an appropriate balance of skills and experience on the Council of Trustees. All new Trustees undergo a detailed induction programme, and sign up to a Trustees' Code of Conduct. Trustees participate in the detailed work of the Council's sub-committees, in line with their skills and experience. On-going Trustee training needs are regularly assessed by this committee, and met accordingly. This Committee also reviews and determines the remuneration levels of the senior management of the Trust, by regularly benchmarking remuneration levels with other similar organisations.

Audit & Risk Committee – Is responsible for reviewing the Trust's Annual Report and Financial Statements prior to their approval by Council and for overseeing the Trust's relationship with the external auditors. This Committee is also responsible for ensuring that the Trust has adequate and appropriate systems of financial control, internal audit and risk management. This Committee reviews the Trust's risk register in detail regularly.

Resource and Development Committee – Reviews all aspects of the Trust's resources, namely: finances, properties, investments and people. This Committee also oversees the current and proposed developments in the Trust, and is tasked with ensuring the Trust's on-going financial stability.

Fundraising Committee – Reviews all aspects of the Trust's fundraising strategy and operations.

VtbH@Council ("Voices to be heard at Council") – This Committee receives items for discussion which have been brought forward from local and regional meetings of "Voices to be Heard" groups. This committee ensures that the voices and opinions of the people we support are at the centre of our governance and decision making.

Other committees and working parties are established from time to time, in order to address specific issues (for example pensions and investments).

The Trustees who have served on Council, and its Committees, during the financial year and at the date of this report, are as follows:

Name	Committees	Status	Date last appointed/(left)
Prof David Croisdale-Appleby OBE <i>Chairman</i>	R&D, N	Elected	28 September 2013 (20 August 2015)
Baroness Judith Jolly <i>Chairman</i>		Nominated	29 January 2016
Simon Llewellyn <i>Vice-Chairman</i>	N, F	Nominated	22 September 2015
Richard Barber OBE	N, F	Elected	24 September 2014
Sarah Buckley	S	Nominated	27 April 2013
Dr Michael Chadwick	S	Nominated	25 September 2013
Ian Cooper	R&D, A	Nominated	27 September 2013
Madeline Cowley	S, F, V	Elected	26 September 2015
Nigel Doggett	N, F	Elected	26 September 2015
Prof Anthony Holland CBE	S	Nominated	29 June 2013
Charles Liddiard	S, V	Elected	26 September 2015
Steve Loraine	A	Nominated	27 April 2013 (30 April 2016)
Barbara McIntosh	S, N, V	Nominated	20 June 2015
Martin Taylor	R&D	Nominated	27 April 2013
Dr Rowena Tye OBE	S, A, R&D	Elected	26 September 2015
John Waite	A, R&D, S	Elected	26 September 2015
Ros Wells	S, A	Elected	26 September 2015
Robert Wood	R&D, A, N, F	Elected	27 September 2014 (1 September 2015)

Key to Committees: R&D = Resource & Development; S = Support Policy and Practice Committee; N = Nominations, Governance & Remuneration Committee; A = Audit & Risk Committee; F = Fundraising Committee; V = VtbH@Council

Governance review

During 2015/16, Hft has undertaken a comprehensive and objective review of its governance arrangements, with input from specialist external consultants. Proposals to implement a more modern and effective governance model will be brought to the members at the 2016 AGM.

Operational structure

For day to day operational management, Hft is split into 2 Operating Divisions: Service Operations and Fundraising & Trading.

Related parties and subsidiaries

At the balance sheet date and throughout the year, Hft had two active wholly owned subsidiary companies, which are both incorporated in the United Kingdom. Hft Trading Limited undertakes non-primary purpose trading activities, whilst Hft Property Limited develops property to provide residential accommodation for people with learning disabilities.

In addition, Hft is the sole member of Luv2meetU Community Interest Company, which is incorporated in the United Kingdom and undertakes the activities of the friendship agencies which were previously operated under the “Stars in the Sky” franchise.

On 27th April 2013 Hft acquired, as wholly owned subsidiaries, all companies in the Care Fund group. The results of the Care Fund group were consolidated into the 2013/14 Hft group accounts, from the effective date of acquisition. With effect from 1 April 2014, the assets, income and liabilities of the Care Fund group of companies were assumed by Hft, with formal legal transfer subsequently completed on 10th March 2015.

The Care Fund group of companies (namely Care Fund Limited; Cottage and Rural Enterprises Limited (trading as “Self Unlimited”); Care Community Sales Limited; Shireplot Limited; Tamarisk Trust Limited and Tamarisk Housing Limited) were all dormant throughout 2015/16 and 2014/15. During 2015/16 Cottage and Rural Enterprises Limited, Care Community Sales Limited, Shireplot Limited and Tamarisk Trust were dissolved.

STRATEGIC REPORT

OBJECTIVES, ACTIVITIES AND PUBLIC BENEFIT

Aims and objectives

Hft's principal objects, as stated in the Memorandum and Articles of Association, are as follows:

- To enable and support people with learning disabilities to experience fulfilling lives in ways which maximise their involvement in the community and participation as citizens, and to exercise choice.
- To offer advice to and support for those who care for people with learning disabilities.

Principal activities

The principal activities of Hft in support of these objectives are as follows:

- Day to day care, support and personal development of adults with learning disabilities. Hft is delivering care packages supporting over 2,500 people with learning disabilities in a variety of ways. Hft provides care and support in over 400 locations across the UK. Services are designed and delivered in accordance with each person's individual care plan, and include registered care, supported living care, day services, domiciliary care and other services.
- We deliver care through providing personalised care packages based on our "Fusion" model of support. The Fusion model brings together all the key elements needed to support a person with learning disabilities via a highly person-centred approach. Fusion focuses on nine core segments of service design and delivery – person centred active support; specialist services; personal growth; healthy, safe and well; personalised technology; total communication; choice; family and relationships; and creative solutions.
- We are continuing to move away from large residential campus sites which no longer deliver the best outcomes for individuals or purchasers of services. Most of our operations are now based in smaller community based supported living services and individualised flexible services funded by personal budgets, which deliver much better outcomes.
- We are increasing our service provision for those with more complex needs and challenging behaviour, alongside our traditional model of providing services for people with low to moderate needs
- We actively engage the support and co-operation of family members in developing and delivering services. Furthermore, we have developed local and national support mechanisms to offer support and advice for carers of people with learning disabilities. The Family Carer Support Service is available for any carer to access (free of charge), and provides online and telephone help, support and signposting for carers, together with other resources, such as guides to new care legislation and guides to state benefit changes.
- Hft is at the forefront of research into how to improve the quality of lives for people with learning disabilities. Hft has a well-established and highly regarded Personalised Technology Project looking at creative and innovative ways of using technology to improve the lives of people we support.

Public benefit

Hft's Trustees have referred to the guidance contained in the Charity Commission's general guidance on public benefit when reviewing Hft's aims and objectives, and in developing plans for future activities.

Hft is committed to using a combination of fundraised money and reserves in order to fund the vital charitable services and projects which are provided, over and above the day to delivery of care services on behalf of local authorities.

The 3 principal projects which fall under the "charitable projects" umbrella are the Family Carer Support Service (see above); the Personalised Technology Project (see above); and the Luv2meetU project (see note 5).

ACHIEVEMENTS AND PERFORMANCE

Strategic plan and key drivers

Hft's aspiration is to become a leading provider of adult learning disability services in the UK. We want to offer the best possible lives for the people we support, despite the funding cuts we have been, and will continue to be subject to. To do this we recognise that efficiency and productivity are critical, and this also places an onus on technology and training. We fully support the greater use of technology in care delivery, and the move towards outcome based commissioning.

Our strategy is continuing to focus on growth opportunities – organic growth, strategic growth (services for people with complex needs and challenging behaviours) and growth from mergers.

The strategy is underpinned by 10 key drivers, namely:

- **Responding to the needs of more people** - through organic growth, strategic growth and mergers
- **Delivery of "OneHft"** – consistently excellent service delivery in all parts of the organisation, underpinned by common values, purpose, high quality training, systems and processes, enabling staff to support everyone to achieve great outcomes, irrespective of their level of disability. The Fusion model is key to delivery of "OneHft"
- **Delivery of Fusion** – everyone we support should be supported through the Fusion model, with the individual and their needs and wishes at the centre.
- **Building capacity** – we need to build both staff capability and also appropriate environments (housing) to support more people with more complex needs and challenging behaviours.
- **Efficient central support** – cost effective and efficient central support services supporting operational teams to enable them to remain fully compliant and able to deliver the best outcomes for the people we support
- **Developing a caring performance culture** – using data, analysis and insight to empower decision making and optimise performance
- **Keeping on innovating** – investing in skills, models and technology to deliver greater wellbeing, independence, and improved health for the people we support. To maintain our leadership in personalised technology, and help the move towards outcomes based commissioning
- **Growing our charitable services/projects** – investing in services supporting those who have reduced or no funding, and helping carers to get advice
- **Fundraising** – continuing to fundraise in compliant and innovative ways to both support charitable services and investment in housing and technology
- **Developing Hft's voice** – we will be a strong advocate for those we support, and their families.

Recap on 2013/14 and 2014/15 achievements

During 2013/14 and 2014/15 a major focus of Hft was the full integration with the Care Fund/Self Unlimited Group.

In 2015/16 we completed the restructuring of our merged operations. Common policies, systems and procedures are now operated in all Services. The fundraising teams and all back office support areas were fully integrated during 2014/15. The former Care Fund/Self Unlimited head office was closed at the end of June 2014, and was disposed of in May 2015.

2015/16 key achievements

The highlights of 2015/16's performance have been as follows:

- Our reputation for delivering services for people with more complex needs and challenging behaviour is growing, and resulting in more opportunities.
- We have delivered organic growth in operations, and have brought on stream new strategic growth services in Cambridgeshire and the Forest of Dean for people with complex needs.

- We have worked closely with a Newcastle based charity (the Edward Lloyd Trust), with our merger being successfully completed at the end of May 2016.
- The Stanley Grange (Lancashire) service was successfully transferred out in October 2015. This particular service model no longer fitted with our strategy, and we worked closely with the people we support, their families and staff to find a more suitable service provider.
- The re-structuring and re-training of service managers was completed.
- All staff have now been trained on PCAS (person centred active support)
- Our training has been recognised by Skills for Care.
- We have received external recognition of the quality of our services (3rd place in the Laing and Buisson ratings list for large providers), which has been underpinned by the first full year of operation of our internal Quality Assurance team and system.
- We have continued to develop personalised technology – eMar (medication recording application) and Lincus (wellbeing application) were both launched in 2015.
- The project to replace the legacy payroll/HR and time and attendance system has progressed, albeit at a slower pace than originally planned. The first major milestone was achieved in April 2016 with the new payroll system going live.
- Continued good maintenance of our housing stock and care environments, helped by a successful re-tendering of the maintenance contract, and switch to a new maintenance company.
- Development of “voice.” We have consciously invested in our external communications capacity, and have started to develop our “voice”. In particular, we have led the campaigning within our sector around the implications of the National Living Wage.

Fundraising

2015/16 has been a difficult environment for all charities involved in fundraising. The failure of Kids Company, the publicity around the death of Olive Cooke, and the dubious fundraising tactics used by some charities has put the whole voluntary sector under a cloud. In the light of these events, and in anticipation of Sir Stuart Etherington’s subsequent September 2015 report “Regulating Fundraising In the Future”, we conducted our own independent internal review of all of fundraising processes and methods, and concluded that we are operating well in excess of the minimum criteria and standards which are required. This has ensured that our donor base has remained strong and long-standing and has seen no drop-off in support. As a charity, our fundraising efforts mean that we can still provide the kind of service and technology that make a huge difference to the lives of people with more mild or moderate needs.

Fundraised income in 2015/16 (excluding mortgage release to grant) was £2,308k, up 4.7% on the prior year’s £2,203k. The principal source of fundraised income in the year was legacies, which brought in £1,011k. In light of the difficult fundraising climate in 2015/16, we consciously held back some planned investment in fundraising activities, which will now happen in 2016/17, with benefits accruing thereafter.

We would like to express our thanks to the following charitable trusts which have supported us in 2015/16:

ABF, The Soldiers’ Charity

Garfield Weston Foundation

The Albert Hunt Charitable Trust

The Beatrice Laing Trust

The Bernard Sunley Charitable Foundation

The Big Lottery Fund

CHK Charities Ltd

The ExtraSpecial Trust

The Helen Roll Charity

Heritage Lottery Fund

Postcode Community Trust
The Princess Anne's Charities Trust
Royal Air Force Benevolent Fund
The Simon and Elizabeth Batey Charitable Trust
The Summerfield Charitable Trust
The Belron World Conference Foundation
The Childwick Trust
The Forbes Charitable Foundation
The Gerald Micklem Charitable Trust
The R H Scholes Charitable Trust
The Steel Charitable Trust
Whalley White Charitable Trust
The Hobson Charity Limited

Staff

We remain committed to recruiting, retaining and developing the best possible staff, but tough market conditions and universal low pay across the care sector have meant we have experienced difficulties recruiting support workers in certain areas. However, this has provided us with an opportunity to re-examine and re-design our recruitment processes.

Staff are now actively encouraged to be involved in making decisions concerning Trust management and future development. We have been running a system of local, regional and national staff consultation groups for several years. These groups are now making a much more significant and strategic contribution, as the "Partnership Forum".

We have worked hard to create a 'Caring Performance Culture' at Hft and have seen a positive effect on our reliance on agency staff, which remains relatively low compared to others in our sector – during 2015/16 agency usage in operations was 6.6% of the total employment cost (2015: 5.5%). We were also awarded the Investors in People gold accreditation in May 2014.

Hft is committed to ensuring that all job applicants and employees are treated fairly and valued regardless of sex, disability, race, age, marital status, sexual orientation, religion, colour, ethnic or national origin and are not disadvantaged by unjust conditions or requirements. This principle applies to recruitment, promotion, transfer, training, benefits and facilities. Hft meets its legal obligations and promotes the spirit of equality of opportunity in all fields.

Investments

The Trust's investments recovered well in the second half of the year, following the market turbulence of the first half. The valuation at 31 March 2016 of £4,353k was broadly unchanged on the prior year valuation of £4,352k. Overall, the investments delivered a total return over the year of +0.7% relative to their benchmark of +0.8%. The Trust has set a prudent investment strategy, with certain categories of investment excluded on ethical grounds.

Environmental policy

Hft is fully committed to safeguarding the environment. In this respect it will specifically endeavour to:

- Encourage the reduced consumption of natural resources and energy
- Operate a Purchasing Policy that avoids the use of environmentally damaging products whenever feasible
- Prevent environmental pollution arising from its own operations
- Try to safeguard natural habitats and species and preserve the nature and character of the countryside
- Provide information and support to both the service users and staff to encourage interest in environmental matters
- Encourage economical and environmentally sound use of its vehicles.

To support this policy, Hft employs a full-time Energy Manager. In 2010 we achieved ISO14001 accreditation for our very energy-efficient new head office in Bristol, and have annually been successfully re-accredited since then.

FINANCIAL REVIEW

Income

At Hft, we believe that people with learning disabilities should have the best life possible, whether that means 24/7 support, or a few hours of help a week. But funding for all levels of care is in crisis. Not only that, the number of people with a learning disability who need support is growing year on year. We have now experienced several years of our fees being challenged from funders (mainly local authority social services departments), and we have had to work with our funders to re-design and implement lower cost care packages for the people we support.

However, Hft remains in a strong position due, in part, to our reputation in service delivery linked to the Fusion Model of Support. During 2015/16, fee income in Operations has grown by 1.5% from £69,848k to £70,875k, reflecting the growth we have seen from new services coming on stream this year, plus the full year benefit of income from new services opened in 2014/15. This net growth is also after accounting for the loss of income on the disposal of the Stanley Grange services (ca. £800k income loss in the second half of 2015/16).

Income from donations and legacies of £1,011k was lower than the £1,302k in 2014/15. We have had a second consecutive year of legacy income exceeding £1m, and we continue to be very grateful for these very special donations. Donation and legacy income this year has also benefitted from a one off £500k credit in respect of a loan made to Hft over 25 years ago, which has now become an outright gift.

Other income includes £478k (2015: £176k) in respect of the profit on disposal of fixed assets this year. The principal items in this income are the profits made on the disposal of surplus land at the Ponteland site, and the profit made on the disposal of the Stanley Grange (Lancashire) site.

Overall, total income for 2015/16 of £75,064k represents a 2% increase on 2014/15.

Expenditure

Total expenditure in 2015/16 of £73,625k is a 1.8% reduction on 2014/15 expenditure of £74,940k.

Fundraising costs have increased from £1,494k to £1,815k – this increase is much lower than was initially budgeted for, reflecting our conscious decision not to heavily invest in fundraising during a period of intense public scrutiny.

The cost of our charitable activities has reduced by 1% from £71,393k to £70,688k. The largest component of charitable activities costs is service costs, which have fallen by 1% from £69,682k to £69,014k. This compares favourably to the increase in services income of 1.5% (see above).

The income and costs and surpluses of the core operational services are as follows:

	2016	2015
	£'000	£'000
Services income (note 2)	70,875	69,848
Services direct costs (note 7)	(62,702)	(63,271)
Services surplus before support costs	8,173	6,577
Support costs	(6,312)	(6,381)
Services surplus after support costs	1,861	196

The improvement in services surplus from 2014/15 is due to a combination of the full year of cost saving measures taken at the end of 2014/15 (principally reductions in management), and the additional income and surpluses generated from growth. The ratio of support costs relative to services income has fallen from 9.1% to 8.9%, which compares favourably to our charity peers in this sector.

Trading activity

The income and costs of trading activity has been as follows:

	2016	2015
	£'000	£'000
Trading income	181	475
Trading activities direct costs (note 7)	(200)	(1,102)
Deficit on trading activities	(19)	(627)

The principal component of trading activities is the social enterprises acquired with the Care Fund group. Following a review, these operations were closed at the end of 2014/15 (£377k of the £1,102k costs were one off closure costs). The remaining operations are operating at close to break even.

Special projects

The net expenditure on special projects in 2015/16 of £1,086k is an increase on the 2014/15 net cost of £921k. Special projects include the public benefit projects such as FCSS, Love2meetU and the Personalised Technology project. Hft has had to fund these projects more from its own reserves in 2015/16 as external funding fell by £114k.

Balance sheet

Total net assets have increased from £70.9m at March 2015 to £72.1m at March 2016. The main changes in the balance sheet during the year are as follows:

- Tangible and intangible fixed assets have increased by £4,048k from £60,393k to £64,441k. 2015/16 has been our largest year of capital expenditure, with £8.8m being spent on developing new and existing service environments. The principal fixed asset additions in the period were:

Gloucestershire move on	£3.1m
Cambridgeshire	£0.8m
Forest of Dean	£1.0m
South Oxfordshire	£0.7m
HR & payroll IT system	£0.7m

- Investment valuations have remained broadly flat at £4.4m.
- The capital expenditure programme has more than exceeded incoming cash resources from operations and incoming cash from asset disposals, with the result that cash balances have reduced from £7m to £3.2m.
- Loans have fallen by £540k, with the collapse of one £500k loan into an outright gift, and £40k of scheduled capital repayments being made on another.
- The pension fund surplus (unrecognised) in the closed final salary pension scheme has fallen slightly from £1.7m to £1.6m.

Reserves

In accordance with Charity Commission guidance, in August 2004 the Council set a policy of maintaining a working capital operating reserve (general reserve), sufficient to cover payroll costs for a period of 6 weeks.

The general reserve policy is reviewed periodically, and was last reviewed in November 2013, taking into account the financial impact of the merger with Self Unlimited. This review agreed to reduce the level of general reserves sufficient to cover 6 weeks payroll, excluding the Bradford service payroll costs which are underwritten by a full cost recovery contract with the sponsoring local authority. At the year-end, the general reserve balance was £3.5m (see notes 20 & 21). This level of general reserve would be sufficient to cover payroll costs (excluding Bradford payroll) for 4 weeks. (A subsequent review was undertaken in June 2016).

Designated and restricted reserve balances have increased from an aggregate of £65.5m at March 2015 to £68.6m at 31 March 2016.

Investment powers, policy and objectives

Investment powers are governed by the Articles of Association, which permit the funds to be invested in the manner shown in note 11 to the financial statements. The Trustees intend that the real value of the company's investments be maintained and enhanced over the long term by investment in a portfolio comprising common investment funds, unit trusts and equities (quoted on a recognised international stock exchange). Hft employs professional investment managers to advise on and invest the portfolio in accordance with the investment policy and mandate which is given to them.

PLANS FOR FUTURE PERIODS

Our plans for 2016/17 reflect a continued focus on the strategic plan (see page 5).

National Living Wage – “It doesn’t add up”

The government introduced a national living wage of £7.20 an hour in April 2016 and has pledged to increase this to £9 an hour by 2020.

We believe it’s absolutely right that people who spend their working lives caring for others should be properly paid. Where we can, we already pay our support staff more than the minimum wage. But if the government insists that minimum wages in the care sector increase by 38%, with no extra funding to make this possible, it will push many care organisations into financial collapse.

The introduction of NLW comes at a time when we, in common with all other service providers, are also facing other cost inflation (for example more pensions auto enrolment costs in 2017 and 2018), as well as the challenge of finding funds for more services, as the demographic demand for our services continues to grow.

The lack of coordinated policy thinking around NLW has lead us to launch our “It doesn’t add up” campaign to directly lobby policy makers and make them aware of the consequences of having a NLW policy which is not matched by funding.

The ultimate aims of the “It Doesn’t Add Up” campaign are:

- To encourage a change in policy whereby government provide additional funds to pay for the National Living Wage properly.
- Raise awareness that the learning disability sector is in a precarious and critical position.
- Increased funding for Local Authorities so they can pay fees that fully reflect these rising costs, enabling providers to pay staff the National Living Wage, without risking the future stability of our services.
- Ensure there is clear legislation relating to the National Minimum Wage for sleep-in shifts.
- Properly fund providers so we can afford to pay National Living Wage and still invest in essential staff training to develop a strong workforce and provide high quality support.
- To protect the quality of services we provide so we can continue to provide better outcomes for the people we support.
- To avoid service closures and to create a sustainable future for Hft and the people we support.

Growth

For Hft, one of our key organisational aims has been the move from intentional rural communities to services based within local communities. Whilst we believe this is absolutely the right approach for adults with learning disabilities, we acknowledge the challenge that this brings, including sourcing suitable accommodation for the people we support.

Pursuing growth opportunities has continued to be our major focus in 2016/17, achieving organic growth by increasing our housing stock to provide services for those people moving on from our remaining campus sites.

Following a period of “getting to know you” and formal due diligence, we were delighted to merge with the Edward Lloyd Trust (“ELT”) at the end of May 2016. ELT has been delivering high quality services in the Newcastle area for over 20 years, and has services supporting 70 people and employing 150 staff. This merger effectively doubles the size of our Newcastle region, enabling us to spread our fixed costs further, and also to have a bigger influence with the commissioners of our services in that region. We would welcome the opportunity to explore the possibility of more mergers in future with organisations similar to Hft.

Fusion and Fusion +

The Fusion Model of Support is our strategic approach to delivering support across all Hft services and remains at the heart of Hft. As part of the Fusion Model, all staff teams have now been trained in Person-Centred Active Support (PCAS) to ensure we continue to deliver great outcomes for the people who use our services.

To ensure that progress was made in embedding the elements across our services, we created segment teams. These teams worked hard to define aspirational targets for each area of the Fusion Model of Support. In 2016/17, these aspirational targets will be reviewed and re-worked to ensure we not only do our best for those people we work so hard to support, but that we can continue to evidence this to people that fund our services.

Fusion+ is a 12 month project which sits alongside the existing Fusion Model of Support. It exists to evidence to local authorities and commissioners that we provide improved outcomes for people with learning disabilities, regardless of the complexity of their disability. Its ultimate aim is to create change within the current 'by hours' funding structure often imposed by local authorities, allowing cost savings to be achieved by organisations across the social care sector.

Productivity & optimisation

Against the backdrop of ongoing funding cuts, and the additional future cost pressures we face (NLW etc), we will be reviewing the productivity and optimisation of all our services during 2016/17. We need to ensure that we have appropriate and efficient levels of management, and that every hour of care which is contracted for by our purchasers is (a) delivered to the person we support (b) billed and paid for by the purchaser and (c) correctly paid to the member of staff. As services become increasingly personalised and variable in nature, it is more important than ever that we have robust systems in place to track and optimise the delivery of our core stock in trade – namely support hours. This work will be led by our Operations management, and will be supported by the full roll out of the integrated HR management, rostering, time and attendance and payroll systems during the year.

Fundraising

Successful donor recruitment is a long process, one which includes regular communication and updates to ensure the longevity of the relationship. Unless funds and resource are invested into this area, donors can become disenfranchised and move their money elsewhere.

For 2016/17 and 2017/18 we have committed to a 2 year programme of donor recruitment. Over time, we hope that new donors will be gradually become lifetime donors, and a proportion will, in due course, ultimately become the legators of tomorrow. Other existing fundraising channels such as grant making trusts will also be supplemented and diversified by higher levels of investment in corporate giving and challenge events, which are proving to be more popular than ever. We will continue to maintain a "watching brief" on the developing area of social investments. This could be a very useful source of long term capital funding, in the event of our growth strategies and plans outstripping the extent to which our core operations and asset disposal programme can generate the required levels of cash for capital investment.

Support activities and costs

The merger with Self Unlimited/Care Fund in 2013 allowed us to significantly increase our service provision and support many more people with learning disabilities. However, the merger with Self Unlimited increased our support costs as we took on new offices and internal processes.

Since the Self Unlimited merger, we have invested in new support teams such as our Quality Assurance team tasked with creating a greater focus on efficiency, quality of care, value for money, compliance, accountability and trust. Our central support costs relative to income have now reduced, as we have combined 2 head offices into 1, removed cost duplication, and have continued to streamline support processes and spread support activities and their costs over a larger business.

For 2016/17 we will continue to look at how we best optimise our investment in all support teams and activities. In particular we will be looking to invest more into the housing support team, to make sure we can continue to generate and protect the required levels of income from our considerable investment in housing.

RISK MANAGEMENT

The Trustees identify key areas of risk and seek to mitigate these through established reporting and monitoring systems. The Audit & Risk Committee regularly reviews the company's detailed risk register, and receives reports from management of key areas of risk to the Trust. The risk register is a comprehensive list of the major internal and external risks which Hft faces in the short term and long term, including risks such as market risk, reputational risk and systems risks. Each risk has a named risk owner, and identified mitigating strategies.

The company also has a team of internal auditors who review all the key financial processes and controls in services and in the Head Office Finance Department. Working closely alongside this team is a team of health and safety advisors/auditors and the Operations Quality Assurance and Compliance team. The following statements summarise the company's policies in managing identified forms of financial risk:

Price and cost risk

The fees we receive from our local authority purchasers are set by agreement with the purchasers, by reference to an assessed level of hours support needed and the local authority framework hourly rate. This price setting mechanism provides us with an income "envelope" in which we have to fit our costs. Our principal costs are salaries and wages (and associated on-costs). Salary levels are set by reference to prevailing market rates and are communicated to staff each year during the annual salary review process. Other costs are controlled by contract negotiations and competitive tendering with suppliers. Over time, we expect this income "envelope" to be squeezed even more than it has been to date, as a result of the future upward cost pressures which has been exacerbated by the National Living Wage.

Credit risk

Counterparty risk on amounts owed to the company by its customers is low, as the majority of debtors are local authorities. We have a good track record of working with local authority care/finance/contract teams to get invoices paid on a timely basis. The critical fee issue we have with funders is getting an appropriate and acceptable fee level agreed at the inception of a service, and also getting the fee subsequently changed as the service changes over time (for example more hours of support needed to help someone as they age.)

Liquidity risk

The company has no long term borrowings (other than the mortgages listed in note 19), and will make use of its short term overdraft facility when required. During 2015/16 we have increased the overdraft facility to £7.5m (unsecured). If necessary, the investment portfolio could be realised at short notice.

Interest rate cash flow risk

The company places surplus funds on short term deposit with a selection of major UK banks and building societies. Our cash balances have fallen since March 2014 as we have invested in capital projects and also paid back expensive borrowings. In the event of planned asset disposals not being secured in 2016/17, and being delayed to 2017/18, we have increased the bank facility level to £7.5m in order to be able to maintain our investment programme in the short to medium term.

Non-financial risk

Non-financial risks are documented on the company's risk register and are assigned an Executive lead individual to manage and report on the risk and the associated risk mitigation strategies. The risk register captures both short term operational risks, as well as longer term strategic risks. The risk register is reviewed at its monthly meetings by the Executive management, and periodically by Trustees. The risk register feeds into our short term operational and long term strategic planning processes.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The group has insurance to cover Trustees' and Officers' liability, as permitted by the Companies Act 2006 at a cost of £13k (2015 £12k).

STATEMENT OF TRUSTEES' RESPONSIBILITIES

The Trustees are required by UK Company Law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company and the group as at the end of the financial year and of the incoming resources and application of resources, including the income and expenditure, of the group for that period.

The Trustees are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 2006, for safeguarding the assets of the company and the group, and hence, for taking reasonable steps to prevent and detect fraud and other irregularities. The Trustees confirm that in their opinion suitable accounting policies have been used and applied consistently, and reasonable judgements and estimates have been made in the preparation of the financial statements for the year ended 31 March 2016. The Trustees also confirm that in their opinion applicable accounting standards have been followed, that the methods and principles in the Charities SORP have been followed and that the financial statements have been prepared on a going concern basis.

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 information may differ from legislation in other jurisdictions.

Statement on Disclosure of Information to the Auditor

So far as each Trustee is aware, there is no relevant audit information of which the company's auditor is unaware.

Each Trustee has taken all the steps (such as making enquiries of other Trustees and any other steps required by the Trustee's duty to exercise due care, skill and diligence) that he or she ought to have taken in his duty as a Trustee in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

The Report of the Council and Incorporated Strategic Report were approved and signed on behalf of the Council by:



Baroness Jolly
Chairman

Date 23.7.16.

Independent Auditors' report to the members of HF Trust Limited

We have audited the group and parent charity financial statements of H F Trust Limited ("the financial statements") for the year ended 31 March 2016 on pages 17 to 41. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS102, The Financial Reporting Standard applicable in the UK and Republic of Ireland.

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditor

As explained more fully in the Statement of Trustees' responsibilities set out on page 15 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.

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

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at <http://www.frc.org.uk/auditscopeukprivate>

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent charitable company's affairs as at 31 March 2016 and of the group's incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Trustees' Annual Report and the incorporated Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

RSM UK audit LLP

HEATHER WHEELHOUSE (Senior Statutory Auditor)
For and on behalf of RSM UK AUDIT LLP (formerly Baker Tilly UK Audit LLP), Statutory Auditor
Hartwell House, 55-61 Victoria Street
Bristol, BS1 6AD

Date: 25 August 2016

**Consolidated Statement of Financial Activities
(including Consolidated Income and Expenditure Account)
for the year ended 31 March 2016**

	Notes	Unrestricted Funds £'000	Restricted Funds £'000	Total 2016 £'000	Total 2015 £'000
Income and endowments from:					
Donations and legacies	2	1,566	1,242	2,808	2,203
Charitable activities	2	71,265	182	71,447	70,519
Other trading activities		181	-	181	475
Investments	11	135	-	135	131
Other	6	484	9	493	228
Total		73,631	1,433	75,064	73,556
Expenditure on:					
Raising funds	7	820	995	1,815	1,494
Charitable activities	7	70,193	495	70,688	71,393
Other	7	1,122	-	1,122	2,053
Total	7	72,135	1,490	73,625	74,940
Net gains/(losses) on investments	11	(106)	-	(106)	297
Net income/(expenditure)	8	1,390	(57)	1,333	(1,087)
Other recognised gains/(losses):					
Re-measurement of defined benefit pension scheme		(75)	-	(75)	(234)
Net movement in funds		1,315	(57)	1,258	(1,321)
Reconciliation of funds:					
Total funds brought forward	20	54,088	16,754	70,842	72,163
Total funds carried forward	20	55,403	16,697	72,100	70,842

All of the above results are derived from the group's continuing activities.

The statement of financial activities includes all gains and losses made in the year.

2015 total consolidated income was split between £808k of restricted funds, and £72,748k of unrestricted funds.

2015 total consolidated expenditure was split between £903k of restricted funds, and £74,037k of unrestricted funds.

Balance Sheets as at 31 March 2016

	Notes	Group		Company	
		2016 £'000	2015 £'000	2016 £'000	2015 £'000
Fixed assets					
Intangible assets	10 (a)	955	205	955	205
Tangible assets	10 (b)	63,486	60,188	63,469	60,154
Investments	11	4,353	4,352	4,352	4,352
Total fixed assets		68,794	64,745	68,776	64,711
Current assets					
Properties held for resale	12	1,842	526	1,841	526
Stocks	13	19	22	-	-
Debtors: amounts falling due within one year	14	5,669	9,272	5,751	9,357
Cash at bank and in hand	15	3,173	6,971	3,076	6,873
Total current assets		10,703	16,791	10,668	16,756
Current liabilities					
Creditors: Amounts falling due within one year	16	6,877	10,077	6,846	10,040
Net current assets		3,826	6,714	3,822	6,716
Total assets less current liabilities		72,620	71,459	72,598	71,427
Creditors					
Amounts falling due after more than one year	16	520	560	520	560
Provisions for liabilities	17	-	57	-	57
Net assets		72,100	70,842	72,078	70,810
The funds of the company					
Restricted funds	20/23	16,697	16,754	16,697	16,754
General reserve	20	3,487	5,321	3,482	5,319
Designated funds	20/22	51,916	48,769	51,899	48,735
Unrestricted funds excluding pension liability	20	55,403	54,088	55,381	54,056
Pension reserve	20/21	-	-	-	-
Unrestricted funds	20	55,403	54,088	55,381	54,056
Total funds	20/21	72,100	70,842	72,078	70,810

The financial statements on pages 17 to 41 were approved and authorised for issue by the Council and signed on its behalf by:

Jolly

Baroness Jolly
Chairman

Date 23.7.16.

**Cash Flow Statement
for the year ended 31 March 2016**

	Notes	2016 £'000 Group	2015 £'000 Group	2016 £'000 Company	2015 £'000 Company
Cash flows from operating activities:					
Net cash provided by/(used in) operating activities		2,425	(1,589)	2,414	(3,008)
Cash flows from investing activities:					
Proceeds from sale of property, plant and equipment		2,569	3,113	2,569	3,113
Proceeds from assets held for disposal		532	-	532	-
Purchase of property, plant and equipment		(8,812)	(5,090)	(8,812)	(5,090)
Proceeds from sale of investments		169	1,617	169	1,617
Purchase of investments		(170)	(1,608)	(170)	(1,608)
Gift aid received from subsidiaries		-	-	12	12
Net cash used in investing activities		(5,712)	(1,968)	(5,700)	(1,956)
Cash flows from financing activities:					
Repayments of borrowing		(59)	(1,485)	(59)	(176)
Design for Life Lancashire transfer (note 23)		(452)	-	(452)	-
Net cash used in financing activities		(511)	(1,485)	(511)	(176)
Change in cash and cash equivalents in the reporting period		(3,798)	(5,042)	(3,797)	(5,140)
Cash and cash equivalents at the beginning of the reporting period		6,971	12,013	6,873	12,013
Cash and cash equivalents at the end of the reporting period		3,173	6,971	3,076	6,873
Reconciliation of net income/(expenditure) to net cash flow from operating activities					
Net income/(expenditure) for the reporting period (as per the statement of financial activities)		1,333	(1,087)	1,333	(1,087)
Adjustments for:					
Depreciation charges	10 (b)	1,974	1,890	1,957	1,873
Investment management charges	11	25	23	25	23
(Losses)/gains on investments	11	106	(297)	106	(297)
Returns on investment and servicing of finance		(112)	10	(112)	10
Profit on the sale of tangible fixed assets		(478)	(162)	(478)	(176)
Gains on sale of assets held for resale		(6)	-	(6)	-
Fixed asset impairment	10 (b)	-	310	-	310
(Increase) / decrease in stocks	13	3	(2)	-	-
Decrease/(increase) in debtors		3,603	(884)	3,606	(2,523)
Increase/(decrease)in creditors		(3,391)	(4,156)	(3,385)	(907)
Decrease in provisions		(57)	-	(57)	-
Write back of mortgage loan		(500)	-	(500)	-
Non-actuarial decrease in FRS17 liability	24	(75)	(234)	(75)	(234)
Net cash provided by/(used in) operating activities		2,425	(1,589)	2,414	(3,008)
Analysis of cash and cash equivalents					
Cash at bank and in hand		3,173	6,469	3,076	6,371
Cash on short term deposit		-	502	-	502
Total cash and cash equivalents		3,173	6,971	3,076	6,873

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016**1. PRINCIPAL ACCOUNTING POLICIES**

The financial statements have been prepared in accordance with the requirements of the Companies Act 2006, 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)) and the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102).

Hft meets the definition of a public benefit entity under FRS 102.

A summary of the more important group accounting policies, which have been applied consistently, is set out below. The trustees have reviewed and approved the future plans and financial forecasts underpinning the going concern assumption. The core business model is operating at high levels of occupancy (circa 95%), and with fee levels from purchasers in excess of the costs of service delivery and associated support costs, and this is expected to continue to be the case for the foreseeable future.

Basis of preparation

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investments to market value and on a going concern basis. There are no material uncertainties about going concern.

Reconciliation with previous UK Generally Accepted Accounting Practice

In preparing the financial statements, the trustees have considered whether in applying the accounting policies required by FRS102 and the Charities SORP FRS102 the restatement of comparative items was required. Accordingly a liability has been recognised in respect of holiday entitlement accrued by staff but not yet taken. Also, computer software has been re-classified from tangible fixed assets to intangible fixed assets. No other restatements have been made in respect of FRS 102.

Reconciliation of funds

	2015 Group £'000	2015 Company £'000	2014 Group £'000	2014 Company £'000
Fund balances as previously reported	71,043	71,011	72,334	45,977
Holiday pay accrual	(201)	(201)	(171)	(171)
Fund balances as re-stated	<u>70,842</u>	<u>70,810</u>	<u>72,163</u>	<u>45,806</u>

Transition to FRS102

The opening fund balances at the date of transition have been restated due to a liability for holiday pay, but no subsequent restatement of items has been required in making the transition to FRS10. The transition date was 1 April 2014.

Basis of consolidation

The consolidated statement of financial activities, the consolidated balance sheet and the consolidated cash flow statement include the financial statements of the company and its subsidiaries made up to 31 March 2016. Intra group transactions and profits are eliminated fully on consolidation.

The results of the subsidiary undertakings are shown in the consolidated statement of financial activities within income and expenditure. The assets and liabilities of the subsidiary undertakings are combined with those of the company in the consolidated balance sheet and consolidated cash flow statement on a line by line basis. A separate statement of financial activities for the company is not presented as permitted by section 408 of the Companies Act 2006. The company's net income for the year is disclosed in note 8.

On 27th April 2013 the Care Fund group of companies were acquired by Hft. The acquisition was effected by the Care Fund group of companies becoming subsidiary and sub-subsidary companies of HF Trust Limited. The transaction was accounted for as an acquisition.

From 1st April 2014, the trade and assets of the former Care Fund group of companies were transferred into the H F Trust charitable company. Hft assumed all the economic benefits arising from the business and assets of the Care Fund group companies, and assumed full liability for all the obligations and costs of the Care Fund group companies from that date.

The Care Fund group of companies comprise Care Fund Limited, Cottage and Rural Enterprises Limited (trading as "Self Unlimited"), Care Community Sales Limited, The Tamarisk Trust Limited, Tamarisk Housing Limited and Shireplot Limited.

The final formal legal transfer of the Care Fund Group into Hft was completed on 10th March 2015.

The Care Fund group of companies (namely Care Fund Limited; Cottage and Rural Enterprises Limited (trading as "Self Unlimited"); Care Community Sales Limited; Shireplot Limited; Tamarisk Trust Limited and Tamarisk Housing Limited) were all dormant throughout 2015/16 and 2014/15. During 2015/16 Cottage and Rural Enterprises Limited, Care Community Sales Limited, Shireplot Limited and Tamarisk Trust were dissolved.

Income

Income from all sources is included in the statement of financial activities at its fair value on a receivable basis, subject to the following specific criteria:

- Donations are recognised as soon as there is evidence of entitlement, subject to any conditions attached – it is probable that the income will be received and the amount can be measured reliably.
- Legacies are recognised on receipt of the income, or on formal notification of entitlement to the income within a short timeframe and is reliably measureable.
- No amounts are included in the financial statements in respect of services donated by volunteers.
- Grant income is recognised when receivable and deferred into future periods if it is a multi-period grant.

Income from charitable activities

Fees receivable and charges for services and projects are accounted for in the period in which the service is provided or the project undertaken.

Other income

Other income is credited to the statement of financial activities in the year in which it is receivable.

Expenditure

All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to that category. All irrecoverable VAT on costs is charged as a cost against the activity for which the expenditure was incurred.

Expenditure on raising funds

Expenditure incurred on raising funds does not include the costs of promoting or marketing the charity.

Expenditure on raising funds is apportioned to individual restricted funds on the basis of funds raised during the year.

Expenditure on charitable activities

Service costs comprise the direct and indirect costs, including staff, attributable to the delivery of front line care services for service users.

Apportionment of support costs

Support costs are apportioned to activities, based on the relative income of the activities.

Governance costs

Governance costs comprise the direct costs attributable to the strategic management and statutory requirements of the group and an appropriate apportionment of indirect costs.

General reserve

The general reserve comprises the working capital operating reserve of the group.

Designated funds

The designated capital project fund comprises unrestricted funds that have been set aside by the Council to be expended on specific current capital development commitments. The aim and use of each designated fund is set out in note 22 of the financial statements.

The designated fixed asset fund represents the aggregate net book value of tangible fixed assets acquired or constructed partly or fully from unrestricted funds, less associated mortgage liabilities.

Restricted funds

The restricted project fund comprises funds, which are to be used in accordance with specific restrictions imposed by donors, or which have been raised by the charity for particular purposes. The cost of raising such funds are charged against the specific fund. The aim and use of each restricted fund is set out in note 23 of the financial statements.

The restricted fixed asset fund represents the aggregate net book value of tangible fixed assets acquired or constructed partly or fully from restricted funds.

Intangible fixed assets

Intangible fixed assets represent the cost of purchasing, configuring and bringing to operational readiness significant computer software applications, which have an anticipated life of between 5 to 10 years. These assets are amortised on a straight line basis over their estimated lives, once they are fully operational.

Tangible fixed assets

All tangible fixed assets are included in the financial statements at cost or fair value. Individual assets with a cost below £2,500 are not capitalised unless they form part of a series of purchases in respect of the fitting out of a new service or project. Irrecoverable VAT incurred on the purchase of fixed assets is included in the capitalised cost.

Depreciation

Depreciation is calculated to write off the costs of buildings, plant and equipment over their expected useful lives at the following rates, on a straight line basis:

Freehold land	Nil
Freehold buildings	2% pa on cost
Cyclical refurbishment of buildings	15% pa on cost
Equipment	8 - 15% pa on cost
Computers	33⅓% pa on cost
Motor vehicles	25% pa on cost

Operating leases

Income and costs in respect of operating leases are respectively credited and charged to the Statement of Financial Activities on a straight-line basis over the lease term.

Dilapidations

Provisions for dilapidations are recognised on a lease by lease basis and are based on the best estimate of the likely committed expenditure.

Stocks

Stocks are stated at the lower of cost and net realisable value.

Taxation

No provision for Corporation Tax has been made in these financial statements as the company, a registered charity, is entitled to certain exemptions on its charitable activities. Taxation recoverable represents amounts deducted at source in respect of gift aid donations from individuals.

Investments

Listed investments are valued at market value based on bid price at the balance sheet date. Realised and unrealised gains or losses on revaluation or disposal are combined in the Consolidated Statement of Financial Activities. Income from these investments is recognised in the year in which it arises.

Pension scheme arrangements

During the year, the group operated eight pension schemes (see note 24):

- a defined benefit pension scheme (The HFT Retirement Benefits Scheme or “RBS”). The RBS is valued every three years by a professionally qualified independent actuary, the rates of contribution payable being agreed by the actuary. In the intervening years the actuary reviews the continuing appropriateness of these rates. The RBS ceased accepting new members from 25 January 1996 and on 26 October 2005 the company ceased contributions to this scheme in respect of future accruals. Consequently, there are now no active members of this scheme.
- the HF Trust Limited group personal pension plan provided by Aegon: with effect from the date of commencement of automatic enrolment in to The Peoples Pension Scheme (see below), this pension plan closed to new members.
- contributions have been made into either the National Health Service Pension Fund or the West Yorkshire Pension Fund (part of the Local Government Pension Scheme), in respect of staff who transferred to Hft under the Bradford day services contract.
- contributions have been made into the Oxford County Council Pension Fund (part of the Local Government Pension Scheme), in respect of staff who transferred to Hft under the Oxford Vale contract.
- from April 2013, contributions have been made into the Care Fund group personal pension plan, in respect of staff joining Hft on the acquisition of the Care Fund group; with effect from the date of commencement of automatic enrolment in to The Peoples Pension Scheme (see below), the Group Personal Pension Plan closed to new members.
- from April 2013, contributions have been made into a Scottish Equitable personal pension plan, in respect of staff joining Hft on the acquisition of the Care Fund group. This pension plan is closed to new members.
- from April 2013, contributions have been made into a Friends Provident personal pension plan, in respect of staff joining Hft on the acquisition of the Care Fund group. This pension plan is closed to new members.
- following the commencement of automatic enrolment, from November 2013 contributions have been made into The Peoples Pension Scheme. This is the only pension scheme offered to new members of staff.

2. INCOME AND ENDOWMENTS**(a) Donations and legacies**

Group and Company	2016	2015
	£'000	£'000
Strategic Partnerships	629	349
Regional & community	291	169
Donor marketing	377	383
Release of mortgage to grant (note 19)	500	-
Donations	1,797	901
Legacies	1,011	1,302
Total donations and legacies	2,808	2,203

Included within donations is £59k of Gift Aid reclaimed (2015: £62k).

Income from Friends Groups of £82k (2015: £66k) is included in donations and includes amounts held by groups, but not remitted to the Registered Office of Hft before the year-end.

The expenditure incurred by the Friends Groups of £20k (2015: £20k) is included in the costs of generating funds, based on management estimates. It has not proved practical to obtain expenditure records from individual Friends Groups, however, the Council does not consider that the effect is material and it has no effect on the net incoming resources for the year (2015: no effect).

(b) Income from Charitable Activities

Group and company	2016	2015
	£'000	£'000
Service Income	70,875	69,848
Special projects	509	623
Community Interest Company income	63	48
Total	71,447	70,519

3. HFT TRADING LIMITED

Hft has a wholly owned trading subsidiary, which is incorporated in the United Kingdom. Hft Trading Limited (company registration 02764761) undertakes non-primary purpose trading activities, namely the retail sale of Hft branded cards and gifts. The distributable net profit is distributed to HF Trust Limited. A summary of the trading results of the subsidiary is shown below. Audited financial statements have been filed with the Registrar of Companies.

	2016	2015
	£'000	£'000
Turnover	118	127
Cost of sales	(91)	(104)
Gross profit	27	23
Administration	(25)	(25)
Profit/(loss) before Gift Aid payment	2	(2)
Dividend payment to the company	-	-
Retained losses brought forward	(2)	-
Retained in subsidiary	-	(2)
Analysis of net assets / liabilities:		
Current assets	45	48
Current liabilities	(45)	(50)
Net assets / (liabilities)	-	(2)

4. HFT PROPERTY LIMITED

Hft has a wholly owned property subsidiary, which is incorporated in the United Kingdom. Hft Property Limited (company registration 03216502) develops property to provide residential accommodation for people with learning disabilities. The company distributes its taxable profits to HF Trust Limited. A summary of the trading results is shown below. Audited financial statements have been filed with the Registrar of Companies.

	2016	2015
	£'000	£'000
Depreciation	(17)	(17)
Administration	(3)	(3)
Net expenditure	(20)	(20)
Deferred capital grant credited to profit and loss account	17	17
Lease income from HF Trust Limited	24	24
Rent payable to HF Trust Limited	(9)	(9)
Profit before dividend payment	12	12
Dividend payment	(12)	(12)
Retained profits/(losses) loss brought forward	-	-
Retained in subsidiary	-	-
Analysis of net assets:		
Tangible fixed assets	17	34
Current assets	16	26
Current liabilities	(33)	(43)
Long term liabilities	-	(17)
Net assets	-	-

5. LUV2MEETU COMMUNITY INTEREST COMPANY

Hft is the sole member of a company limited by guarantee. Luv2meetU Community Interest Company (company registration 07399511) is incorporated as a Community Interest Company and is registered in England and Wales. A summary of the trading results is shown below. Audited financial statements have been filed with the Registrar of Companies.

	2016	2015
	£'000	£'000
Turnover	63	48
Operating expenditure	(59)	(48)
Net income/(expenditure)	4	-
Retained profit brought forward	-	-
Retained in subsidiary	4	-
Current assets	77	67
Current liabilities	(73)	(67)
Net assets	4	-

6. OTHER INCOME

Other income comprises:

	Total 2016 £'000	Total 2015 £'000
Interest receivable	15	52
Gains on disposal of tangible fixed assets	478	176
Total other income	493	228

7. EXPENDITURE**a) Analysis of expenditure:**

	Direct staff costs £'000	Other direct Costs £'000	Support costs £'000	Total 2016 £'000	Total 2015 £'000
Raising funds	698	835	282	1,815	1,494
Charitable activities:					
Service costs	46,839	15,863	6,312	69,014	69,682
Special projects	696	899	-	1,595	1,643
Community Interest company costs	59	-	-	59	48
Property subsidiary expenditure	-	20	-	20	20
	<u>47,594</u>	<u>16,782</u>	<u>6,312</u>	<u>70,688</u>	<u>71,393</u>
Other					
Marketing and publicity costs	267	326	-	593	388
Trading activities costs	19	181	-	200	1,102
Investment management fees	-	25	-	25	23
Loss on disposal of tangible fixed assets	-	-	-	-	14
Merger and acquisition costs	-	5	-	5	285
Governance	125	174	-	299	241
	<u>411</u>	<u>711</u>	<u>-</u>	<u>1,122</u>	<u>2,053</u>
Total expenditure	<u>48,703</u>	<u>18,328</u>	<u>6,594</u>	<u>73,625</u>	<u>74,940</u>

Special project costs relate to projects funded from charitable sources and the purchase of specific items of equipment for services. All activities are carried out directly by the company.

Included in Trading activity costs, is £0 (2015: £377k) in relation to Social Enterprise closures. Included in Service costs is £222k (2015: £275k) in relation to restructuring.

b) Analysis of support costs

	Raising funds Costs £'000	Service costs £'000	Total 2016 £'000	Total 2015 £'000
Operations	64	1,429	1,493	1,499
Human Resources	70	1,559	1,629	1,586
Finance and Company Secretary	43	967	1,010	979
Estates	56	1,265	1,321	1,385
Information Technology	41	910	951	983
Chief Executive	8	182	190	185
Total support costs	282	6,312	6,594	6,617

c) Analysis of governance costs

	2016 £'000	2015 £'000
Allocation of staff and other costs	55	55
Internal audit	70	67
External audit	40	40
Legal, professional & consultancy fees	48	3
Trustee expenses and meeting costs	53	46
Trustee training	11	2
Trustee liability and other insurance costs	13	12
AGM costs	5	9
Miscellaneous costs	4	7
Total governance costs	299	241

The increase to governance costs in the year is due principally to the costs of recruiting a new chairman, and the costs of the governance review.

8 NET INCOME

	2016 £'000	2015 £'000
Net income is stated after charging:		
Operating lease charges:		
Land & buildings	1,145	1,045
Motor vehicles	566	614
Auditor's remuneration (company £40k; 2015: £38k)	50	46
Auditor's remuneration – other services	27	16
Depreciation (company £1,957k; 2015: £1,873k)	1,974	1,890
Post-acquisition restructuring costs	-	285
Impairment of fixed assets	-	310

As permitted by section 408 of the Companies Act 2006, the parent company's income and expenditure account has not been included in these financial statements. Of the net surplus/(loss) for the year, £1,269k (2015: £(941)k) is dealt with in the financial statements of the charitable company. The gross income of the charitable company is £73,471k (2015: £73,336k).

9. EMPLOYEES

The average number of persons employed by the group during the year, their full time equivalent (FTE), and their salary and wages costs were:

	2016			2015		
	Number	FTE	£'000	Number	FTE	£'000
Salaries:						
Fundraising & Trading	44	19	618	46	36	960
Services & Projects	2,798	2,580	43,113	2,984	2,458	43,621
Special Projects	30	35	668	31	26	565
Support & Governance	125	124	3,877	126	114	3,520
Acquisition				-	-	88
	<u>2,997</u>	<u>2,758</u>	<u>48,276</u>	<u>3,187</u>	<u>2,634</u>	<u>48,754</u>
Other staff costs:						
National Insurance costs			3,387			3,524
Pension costs			1,277			1,308
			<u>52,940</u>			<u>53,586</u>

The total emoluments of employees earning more than £60k (including benefits in kind, but excluding employer's pension contributions) fall within the following bandings:

	2016	2015
	No.	No.
£60,001 - £70,000	9	7
£70,001 - £80,000	4	4
£80,001 - £90,000	1	1
£110,000 - £120,000	1	1

Key management personnel are deemed to be the Trustees together with the Executive Management team.

The total emoluments of the Executive Management Team were as follows:

	2016	2015
	£'000	£'000
Emoluments	572	508
Employers pension fund contributions	35	32
	<u>607</u>	<u>540</u>

The emoluments of the highest paid member of the Executive Management Team were:

	2016	2015
Emoluments	120	119
Employers pension fund contributions	7	7
	<u>127</u>	<u>126</u>

No member of the Executive Management Team received any other remuneration such as long term incentive schemes, share options, or compensation for loss of office. No member of the Executive team waived any emoluments.

For those staff whose emoluments exceed £60k, pension contributions amounting to £57k (2015: £65k) were paid for the provision of money purchase benefits. All of these staff have benefits accruing under the Group Personal Pension plan and, in addition, two have accrued benefits under the defined benefit scheme (prior to the closure of the scheme).

The Trustees received no emoluments during the year (2015: £nil). The aggregate amount of expenses incurred by Trustees during the year amounted to £20k (2015: £25k). These were in respect of 16 Trustees (2015: 17) and represented reimbursement of travel and subsistence expenditure and the costs of meetings and visits.

10. (a) INTANGIBLE FIXED ASSETS

Group and company	Computer software
Cost :	£'000
At 1 April 2015	205
Additions	750
	<hr/>
At 31 March 2016	955
	<hr/>
Depreciation: At 1 April 2015	-
Charge for the year	-
	<hr/>
At 31 March 2016	-
	<hr/>
Net book value: At 31 March 2016	955
	<hr/>
At 31 March 2015	205
	<hr/>

10. (b) TANGIBLE FIXED ASSETS

Company	Freehold land & buildings £'000	Plant and equipment £'000	Motor vehicles £'000	Total £'000
Cost:				
At 1 April 2015	72,291	1,616	665	74,572
Additions	8,621	-	132	8,753
Disposals	(1,714)	(27)	(36)	(1,777)
Transfer to current assets	(2,569)	(24)	-	(2,593)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2016	76,629	1,565	761	78,955
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation:				
At 1 April 2015	13,325	847	246	14,418
Charge for the year	1,558	172	227	1,957
Disposals	(86)	(26)	(26)	(138)
Transfer to current assets	(728)	(23)	-	(751)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2016	14,069	970	447	15,486
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value: At 31 March 2016	62,560	595	314	63,469
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2015	58,996	769	419	60,154
	<hr/>	<hr/>	<hr/>	<hr/>
Group				
Cost:				
At 1 April 2015	72,648	1,616	665	74,929
Additions	8,621	-	132	8,753
Disposals	(1,714)	(27)	(36)	(1,777)
Transfer to current assets	(2,569)	(24)	-	(2,593)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2016	76,986	1,565	761	79,312
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation:				
At 1 April 2015	13,648	847	246	14,741
Charge for the year	1,575	172	227	1,974
Disposals	(86)	(26)	(26)	(138)
Transfer to current assets	(728)	(23)	-	(751)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2016	14,409	970	447	15,826
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value: At 31 March 2016	62,577	595	314	63,486
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2015	59,000	769	419	60,188
	<hr/>	<hr/>	<hr/>	<hr/>

In the opinion of the Trustees there is no material difference between the carrying value of the land and buildings above, and the market value.

11. FIXED ASSET INVESTMENTS

	Group		Company		
	2016 £'000	2015 £'000	2016 £'000	2015 £'000	
Market value:					
At 1 April 2015	4,352	3,961	4,352	3,952	
Income reinvestment	131	126	131	126	
Additions	170	1,608	169	1,608	
Disposals	(169)	(1,617)	(169)	(1,608)	
Net gain/(loss) on investment assets	(106)	297	(106)	297	
Investment management charges	(25)	(23)	(25)	(23)	
At 31 March 2016	4,353	4,352	4,352	4,352	
Investments are represented by:					
	Cost 2016 £'000	Market value 2016 £'000	2015 £'000	Gross income 2016 £'000	2015 £'000
Investments listed in the UK:					
Common investment funds	60	62	64	4	6
Fixed Interest	1,004	1,039	1,055	33	37
Equity shares	987	1,150	1,217	42	38
Property funds	1,048	1,175	1,084	46	41
Cash	98	98	82	-	-
Interest	-	7	7	-	-
	3,197	3,531	3,509	125	122
Investments listed outside the UK:					
Equity shares	680	822	843	10	9
Company & group	3,877	4,353	4,352	135	131

There are no particular investments which are considered to be individually material in the context of the overall investment portfolio, in either year.

Hft owns the whole of the issued share capital of Hft Trading Limited: 100 ordinary shares of £1 each issued at par. Hft Trading Limited is registered in England and Wales.

Hft owns the whole of the issued share capital of Hft Property Limited: two ordinary shares of £1 each issued at par.

In addition, as the sole member of a company limited by guarantee, Hft wholly controls Luv2meetU Community Interest Company. Luv2meetU Community Interest Company is incorporated as a Community Interest Company and registered in England and Wales.

On 27 April 2013 Hft acquired the Care Fund group of companies. As the sole member of Care Fund Limited, a company limited by guarantee and the parent company of the Care Fund group, Hft wholly controls Care Fund Limited & its subsidiary companies, Cottage and Rural Enterprises Limited (operating as "Self Unlimited"), Care Community Sales Limited, The Tamarisk Trust Limited, Tamarisk Housing Limited and Shireplot Limited.

The Care Fund group of companies (namely Care Fund Limited; Cottage and Rural Enterprises Limited (trading as "Self Unlimited"); Care Community Sales Limited; Shireplot Limited; Tamarisk Trust Limited and Tamarisk Housing Limited) were all dormant throughout 2015/16 and 2014/15. During 2015/16 Cottage and Rural Enterprises Limited, Care Community Sales Limited, Shireplot Limited and Tamarisk Trust were dissolved.

12. PROPERTY HELD FOR RESALE

Property held for resale is available for immediate sale and has therefore been reclassified as a current asset. As at 31 March 2016, 2 redundant former operational properties were in the process of being developed and marketed for sale, namely Bramley Gardens, Leeds and Shangton, Leicestershire. These 2 sites have a combined depreciated historic cost of £1,842k, and have been transferred at that value into current assets. At 31 March 2015, the only property held for resale was the Care Fund Group office in Kibworth at a valuation of £526k. This property was subsequently sold in May 2015 for £550k.

13. STOCKS

Stocks comprise bought in items.

14. DEBTORS

	Group		Company	
	2016 £'000	2015 Re-stated £'000	2016 £'000	2015 Re-stated £'000
Due within one year:				
Loan due from Hft Trading Limited	-	-	10	10
Other amounts due from subsidiary undertakings:				
Hft Trading Limited	-	-	21	23
Hft Property Limited	-	-	12	23
Luv2meetu Community Interest Company	-	-	59	50
Loan due from Dimensions (UK) Limited	42	41	42	41
Fees and grants	3,375	8,072	3,375	8,072
Other debtors	318	308	298	287
Prepayments	564	404	564	404
Accrued income	1,370	447	1,370	447
	<u>5,669</u>	<u>9,272</u>	<u>5,751</u>	<u>9,357</u>

Fees and grants receivable as at March 2015, have been re-stated by an increase of £3,305 (group and company) to more accurately reflect income invoiced in advance and sales ledger credit balances. (see also note 16)

The loan due from Hft Trading Limited is unsecured and renewable annually. Interest is charged at the base lending rate of Lloyds Bank plc.

The loan due from Dimensions (UK) Limited represents an advance for the purchase of a property and is secured against this property. The loan is repayable only on the sale of the property, together with specified proportions of the excess of the sale proceeds over the advance. The loan carries no interest.

15. CASH AT BANK AND IN HAND

	Group		Company	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Cash and bank balances	3,173	6,468	3,076	6,370
Cash on short term deposit	-	503	-	503
	<u>3,173</u>	<u>6,971</u>	<u>3,076</u>	<u>6,873</u>

Cash includes £297k (2015: 248k) held for the benefit of people that we support and represents amenity funds, savings and personal allowances. Creditors include a corresponding liability in respect of these monies (see note 16).

16. CREDITORS**Due within one year:**

	Group		Company	
	2016 £'000	2015 Re-stated £'000	2016 £'000	2015 Re-stated £'000
Mortgage loans	40	540	40	540
Interest free loans (see note 18)	165	165	165	165
Trade creditors	1,702	1,751	1,702	1,751
Taxation and social security payable	896	867	884	867
Other creditors	907	825	906	824
Amenity funds, etc. (see note 15)	297	248	297	248
Accruals	2,504	1,959	2,498	1,939
Deferred income (see reconciliation below)	366	3,722	354	3,706
	<u>6,877</u>	<u>10,077</u>	<u>6,846</u>	<u>10,040</u>

Due after more than one year:

	Group		Company	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Mortgage loans (see note 19)	520	560	520	560
	<u>520</u>	<u>560</u>	<u>520</u>	<u>560</u>
Mortgage loans – repayable after more than one year are analysed as follows:				
Between one and two years	40	40	40	40
Between two and five years	120	120	120	120
In more than five years	360	400	360	400
	<u>520</u>	<u>560</u>	<u>520</u>	<u>560</u>

Deferred income reconciliation

	Group £'000	Company £'000
At 1 April 2015	3,722	3,706
Released during year	(3,722)	(3,706)
Provided during year	366	354
At 31 March 2016	<u>366</u>	<u>354</u>

Invoices raised for income to pay for services provided can be invoiced in advance or in arrears, depending on the particular service contract. Invoices are generally raised to cover a specific period of days. In March 2015, a significant number of invoices were raised in relation to the time period after the balance sheet date, resulting in a large deferred income provision. This has not re-occurred in March 2016.

As noted in note 14, creditor and debtor balances at March 2015 have been re-stated to more accurately reflect income invoiced in advance and sales ledger credit balances. The resulting changes (group and company) are as follows: Trade creditors – increase of £433k; Other creditors – increase of £296k; Deferred income – increase of £2,996k.

Additionally, the March 2015 accruals figure has been increased by £201k to include the holiday pay accrual now required by FRS102.

17. PROVISIONS FOR LIABILITIES

The provision was a requirement of a lease between Cottage & Rural Enterprises Limited and Waterloo Housing Association in respect of the property at 70 High Street, Kibworth; repairs & maintenance undertaken on the property, as specified in the lease, were charged to the provision on an on-going basis. Following a review, this provision was written back during the year – the property is still being maintained to the condition required in the lease, with costs now being expensed during the year they are incurred.

Group - Movement during the year

	At 1 April 2015 £'000	Released during year £'000	At 31 March 2016 £'000
Repairs provision	57	(57)	0
	<u>57</u>	<u>(57)</u>	<u>0</u>

18. INTEREST FREE LOANS

The interest free loans are repayable on demand. At 31 March 2016, the interest free loans were wholly covered by cash and investments of £165k (2015: £165k).

19. MORTGAGE**Mortgage loans comprise the following:**

	Group		Company	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
West Midlands Area Health Authority	-	500	-	500
Cornwall County Council	250	250	250	250
People 2000 Limited	310	350	310	350
	<u>560</u>	<u>1,100</u>	<u>560</u>	<u>1,100</u>

- (a) The mortgage loan of £500k is an interest free loan secured by a first charge on the freehold property of Falstaff House, which is part of the Arden Vale Service. The loan was made on the condition that places would be made available for 15 residents currently under the care of the Health Authority. The loan is repayable only if the conditions are not met and the loan became an outright gift in June 2014, after a period of 25 years, commencing June 1989. During 2015/16 we have been pursuing the legal and Land Registry formalities required to collapse the loan into an outright gift, and the loan has therefore been reclassified as grant income (see note 2).
- (b) The mortgage loan of £250k is an interest free loan secured by a first charge on the freehold property of the Cornwall Day Centre. The loan will become repayable if Hft should terminate the agreement, dated January 1992, with Cornwall County Council for the provision by Hft of accommodation and services for individuals with learning disabilities. In addition, the loan will become repayable if Hft should sell, lease or cease to use the day centre for individuals with learning disabilities.
- (c) The mortgage loan of £310k is a 10 year amortising loan from People 2000 Limited, to fund developments in St Austell. It is secured by a first charge on two properties in Devon. The loan carries an interest rate of 2% above base rate, subject to a minimum rate of 2.5% and a maximum of 7.5%.

20. STATEMENT OF FUNDS

	Total Restricted Funds £'000	General reserve £'000	Designated funds £'000	Pension reserve £'000	Total Unrestricted funds £'000	Total funds £'000
Company						
At 1 April 2015	16,754	5,321	48,735	-	54,056	70,810
Income	1,433	73,471	-	-	73,471	74,904
Expenditure	(1,490)	(70,446)	(1,594)	75	(71,965)	(73,455)
Other recognised gains / (losses)	-	(106)	-	(75)	(181)	(181)
Fixed asset transfers	-	(4,758)	4,758	-	-	-
Fund transfers	-	-	-	-	-	-
At 31 March 2016	16,697	3,482	51,899	-	55,381	72,078
Group						
At 1 April 2015	16,754	5,319	48,769	-	54,088	70,842
Income	1,433	73,631	-	-	73,631	75,064
Expenditure	(1,490)	(70,599)	(1,611)	75	(72,135)	(73,625)
Other recognised gains / (losses)	-	(106)	-	(75)	(181)	(181)
Fixed asset transfers	-	(4,758)	4,758	-	-	-
Fund transfers	-	-	-	-	-	-
At 31 March 2016	16,697	3,487	51,916	-	55,403	72,100

Restricted funds

Comprises the project fund and the fixed asset fund (see note 23).

Unrestricted funds

The general reserve represents the working capital operating reserve of the group.

The designated fund comprises the capital project fund and the fixed asset fund (see note 22).

Transfers

The fixed asset transfers reflect the net funds expended on tangible fixed assets during the year. Land and buildings acquired from restricted funds are held in the restricted fixed asset fund.

The fund transfer of £4,758k from the general reserve and restricted funds to designated funds reflects the designation of funds towards capital development commitments (see note 22).

21. ANALYSIS OF GROUP NET ASSETS BETWEEN FUNDS

Representation of fund balances:

	Restricted Funds £'000	General Reserve £'000	Designated funds £'000	Pension reserve £'000	Total 2016 £'000	Total 2015 £'000
Tangible assets	13,807	-	50,634	-	64,441	60,393
Fixed asset investments	-	4,353	-	-	4,353	4,352
Cash and bank balances	2,890	(14)	297	-	3,173	6,971
Other current assets	-	5,688	1,842	-	7,530	6,095
Current liabilities	-	(6,540)	(337)	-	(6,877)	(6,151)
Long-term liabilities	-	-	(520)	-	(520)	(560)
Provision for liabilities and charges	-	-	-	-	-	(57)
Net assets	16,697	3,487	51,916	-	72,100	71,043

22. DESIGNATED FUNDS - GROUP

Designated funds comprise the following individual funds:

	At 1 April 2015 £'000	Expenditure £'000	Fixed asset transfers £'000	Fund transfers £'000	At 31 March 2016 £'000
Gloucestershire	1,175	-	(1,175)	-	-
Other capital developments	-	-	-	-	-
Designated capital project fund	1,175	-	(1,175)	-	-
Designated fixed asset fund	47,594	(1,611)	5,933	-	51,916
Total designated funds	48,769	(1,611)	4,758	-	51,916

The capital project fund comprises funds designated towards current capital development commitments. The fixed asset fund represents the net book value of all unrestricted tangible fixed assets, assets held for resale, amenity account balances less associated mortgage liabilities.

23. RESTRICTED FUNDS GROUP & COMPANY

	At 1 April 2015 £'000	Income £'000	Expenditure £'000	Fixed asset Transfers £'000	At 31 March 2016 £'000
Gloucestershire	1,688	366	(176)	(1,869)	9
Sheffield	21	-	-	-	21
The Wirral	10	17	(9)	(9)	9
Kent South	9	17	(9)	(6)	11
South Oxfordshire	67	37	(15)	-	89
Herts & Essex	48	63	(34)	(10)	67
Devon East	32	6	(7)	(2)	29
Devon North East legacy	-	211	-	-	211
Leeds	35	1	(5)	(8)	23
Arden Vale	42	39	(26)	(17)	38
Cornwall	20	11	(9)	(3)	19
Cornwall (RMH)	17	-	-	-	17
Kingston-upon-Thames	10	11	(8)	-	13
North Oxfordshire	31	-	-	-	31
Bradford	25	30	(2)	-	53
Kent North	18	5	(4)	(2)	17
Sussex	67	99	(47)	(5)	114
Shropshire	6	27	(13)	(3)	17
Leicestershire	41	14	-	-	55
London	-	10	(3)	-	7
Wiltshire	-	259	(126)	(1)	132
Lancashire	-	27	(12)	(9)	6
Newcastle	-	1	-	-	1
The Big Lottery Fund (L2MU)	23	71	(78)	-	16
Other project grants	-	111	(54)	-	57
Mrs S Blyth Legacy	36	-	-	-	36
Edenbridge legacy	647	-	(2)	-	645
Tiverton Drop-In Centre	57	-	-	-	57
Belron CT - S East Transition Unit	2	-	-	-	2
Design for Life - East Midlands	439	-	(31)	-	408
Other grants and donations	313	-	-	-	313
Amenity funds	81	-	-	-	81
Ironbridge - Community Fund	8	-	-	-	8
Wiltshire - Village Shop Fund	19	-	-	-	19
Wiltshire - Redevelopment Fund	17	-	-	-	17
Design for Life - Lancashire	541	-	(458)	-	83
West Sussex - Community Fund	137	-	-	-	137
Others -	22	-	-	-	22
Restricted project fund	4,529	1,433	(1,127)	(1,944)	2,890
Restricted fixed asset fund	12,225	-	(362)	1,944	13,807
Total restricted funds	16,754	1,433	(1,490)	-	16,697

£452k of the £457k resources expended on the Design for Life Lancashire funds represents restricted funds associated with Stanley Grange, transferred to the new service providers on the disposal of Stanley Grange.

24. PENSION COMMITMENTS

(a) Retirement Benefits Scheme

During the year, the group operated a defined benefits pension scheme (the "RBS"). On 26 October 2005 the company ceased contributions to this scheme in respect of future accruals. The members of the scheme were offered membership of the new Group Personal Pension Plan with effect from 1 November 2005, as detailed in (b) below.

The scheme is administered by the Trustees of the scheme and provides benefits based on final pensionable salary. The assets of the fund are held independently from those of the group and are invested with Prudential Pensions Limited and Legal & General Assurance (Pensions Management) Limited. Contributions are assessed on the advice of an independent qualified actuary on the basis of valuations using the projected unit method. The most recent full valuation of the scheme was as at 31 March 2014.

In July 2008 the company granted the RBS a £1m floating charge over its assets.

The costs to the group of funding the RBS are accounted for in accordance with the rules on accounting for defined benefit pension schemes in FRS102.

FRS 102 - assumptions, asset, liability and reserves disclosures

The full valuation of the scheme as at 31 March 2014 was performed by the scheme actuary, an employee of Capita plc.

Employee benefit obligations

The assets and liabilities of the scheme, on an FRS 102 basis, were:

Group and Company	2016 £'000	2015 £'000
Fair value of scheme assets	14,650	15,553
Present value of defined benefit obligation	(13,040)	(13,867)
Surplus in scheme	1,610	1,686
Restriction on asset limit under paragraph 28.22	(1,610)	(1,686)
Defined benefit asset/(liability) recognised in the balance sheet	-	-

Expense Recognised in the Statement of Financial Activities

The amounts recognised in the Consolidated Statement of Financial Activities are as follows:

Group and Company	2016 £'000	2015 £'000
Current service cost	-	-
Administrative expenses	-	-
Past service costs including curtailments	-	34
Effect of settlements	-	-
Recognised in arriving at operating profit	-	34
Net interest on defined benefit liability	(53)	(61)
Restriction on net interest due to paragraph 28.22 asset limit	53	27
Total recognised in statement of financial activities	-	-

Amounts taken to Other Comprehensive Income

Group and Company	2016 £'000	2015 £'000
Actual return on scheme assets – gains and (losses)	(234)	2,604
Less: amounts included in net interest on the defined benefit liability	(472)	(578)
- Return on scheme assets excluding interest income	(706)	2,026
- Actuarial gains and (losses)	502	(1,873)
- Changes to the asset restriction under paragraph 28.22	129	(387)
Remeasurement loss recognised in Consolidated Statement of Financial Activities	(75)	(234)

24. PENSION COMMITMENTS (CONTINUED)

Changes in the present value of the defined benefit obligation

Changes in the present value of the defined benefit obligation are as follows:

Group and Company	2016 £'000	2015 £'000
Opening defined benefit obligation	13,867	12,030
Benefits paid	(744)	(587)
Past service costs including curtailments	-	34
Interest cost	419	517
Remeasurement (gains) and losses	(502)	1,873
- Actuarial (gains) and losses		
Closing defined benefit obligation	13,040	13,867

Changes in the fair value of scheme assets

Changes in the fair value of scheme assets are as follows:

Group and Company	2016 £'000	2015 £'000
Fair value of scheme assets at beginning of period	15,553	13,302
Interest income	472	578
Remeasurement gains and (losses)	(706)	2,206
- Return on scheme assets excluding interest income		
Contributions by employer	75	234
Benefits paid including expenses	(744)	(587)
Closing fair value of scheme assets	14,650	15,553

The major categories of scheme assets as a percentage of total scheme assets are as follows:

	2016	2015
Equities and other growth assets	25.0%	23.8%
Government bonds	37.0%	34.6%
Corporate bonds	36.5%	39.8%
Insured annuities	1.5%	1.4%
Cash	0.0%	0.40%
Total	100.00%	100.00%

Principal actuarial assumptions

Principal actuarial assumptions at the balance sheet date are:

Group and Company	2016 Per annum	2015 Per annum
Discount rate	3.30%	3.10%
Retail prices index (RPI) inflation	2.85%	2.90%
Consumer prices index (CPI) inflation	1.85%	2.10%
Future increases in deferred pensions	1.85%	2.10%
Rate of increase to pensions in payment:		
RPI (max 5% pa)	2.75%	2.80%
Discretionary increases (pre 6/4/1997 pension)	none	none

Post retirement mortality

S2PA tables with CMI 2013 projections subject to a long term improvement rate of 1.25%

2016

2015

	Members assumed to commute pensions	
Cash commutation benefits for tax free cash at retirement equal to 75% of the maximum permitted		
Future life expectancy of male aged 65 at balance sheet date	22.5	22.4
Future life expectancy of male achieving age 65 20 years after balance sheet date	24.3	24.2
Future life expectancy of female aged 65 at balance sheet date	24.5	24.4
Future life expectancy of female achieving age 65 20 years after balance sheet date	26.4	26.3

As at 31 March 2016, contributions are payable to the Plan, by the group, at the rates set out in the schedule of contributions dated 27 March 2015. The group contributions expected to be made in the year ending 31 March 2016 are approximately £200k.

(b) Group Personal Pension Plan

During the year, the company operated a Group Personal Pension Plan provided through Scottish Equitable plc. With effect from the date of commencement of automatic enrolment in to The Peoples Pension Scheme (see below), the Group Personal Pension Plan closed to new members.

The company contributions to this plan are dependent on individual contracts of employment, varying between 3% and 9% of earnings. Members of this plan will contribute a minimum of 3% of earnings.

The assets of the plan, which are held separately from those of the company, are invested with Aegon plc. The pension charge for the year was £433k (2015: £648k). The charge for the year includes £219k (2015: £182k) contributed under an employee salary sacrifice scheme. An amount of £69k was owing to the plan in respect of contributions as at 31 March 2016 (2015: £74k).

Contributions paid and costs incurred, by the company, are charged as expenditure in the year in which they are payable, in accordance with the rules on accounting for defined contribution pension schemes in FRS 102.

(c) NHS Pension Scheme

Contributions have been made to the NHS Pension Scheme in respect of staff transferred to the company under the Bradford day services contract (since February 2012) and Oxford Vale contract (since September 2012).

The NHS Pension Scheme is an approved multi-employer defined benefit scheme. HF Trust is unable to identify its share of the assets and liabilities of the scheme at the balance sheet date and as such is treated as a defined contribution scheme in accordance with FRS102.

Contributions to the scheme are charged to the SOFA in the period in which they fall due. The current contribution rate is 14% as determined by Government Actuary using the Projected Unit Method. The amount charged to the SOFA was £338k (2015: £353k) and contributions owing to the scheme as at 31 March 2016 were £39k (2015: £43k).

(d) Local Government Pension Scheme

The company is classified as an admitting body for the West Yorkshire Pension Fund and Oxford County Council Pension Fund following the transfer of staff under the Bradford day services and Oxford Vale contracts.

The share of the deficit on each of these schemes attributable to the company has been calculated by the scheme actuaries and in the opinion of the Trustees is not material individually or in total. The schemes are accordingly accounted for as defined contribution schemes and contributions to the scheme are charged to the SOFA in the period in which they fall due.

The company's contribution rate payable to the West Yorkshire Pension Fund is 15.7% and to the Oxford County Council Pension Fund is 19.9% of earnings, as determined by the scheme actuary in each case.

The amount charged to the SOFA in respect of both schemes was £61k (2015: £85k) and contributions owing to the schemes as at 31 March 2016 were £7k (2015: £6k).

In respect of the NHS pension scheme, and the West Yorkshire Pension Fund and the Oxford County Council Pension Fund, the main contributory bodies to these 3 schemes are publically funded statutory bodies. Hft is responsible, under the agreements by which it provides pensions from these 3 pensions funds to its staff, for the contributions in respect of those employees only, and has no liability for any other participating entities' obligations in respect of the schemes.

(e) Care Fund Group Personal Pension Plan

During the year, contributions have been made to the Care Fund Limited group personal pension plan in respect of employees transferred on acquisition of the Care Fund group. With effect from the date of commencement of automatic enrolment into The Peoples Pension Scheme (see below), the Group Personal Pension Plan closed to new members.

The group contributions to this plan are dependent on individual contracts of employment, varying between 3% and 13% of earnings and are calculated based on individual salaries at 1 April each year.

Contributions paid and costs incurred, by the group, are charged as Resources Expended in the year in which they are payable, in accordance with the rules on accounting for defined contribution pension schemes in FRS 102.

The assets of the plan, which are held separately from those of the group, are invested with Standard Life plc. The pension charge for the year was £65k (2015: 91k). An amount of £8k was owing to the plan in respect of contributions as at 31 March 2016 (2015: £11k).

(f) The Peoples Pension Scheme

To meet its legal obligations, from its staging date of 1 September 2013, the group commenced automatic enrolment of staff into The Peoples Pension Scheme; the scheme operates under a multi-employer Super Trust.

In addition to the statutory contribution levels of 1% of salary, the group will contribute a maximum of a further 3% of salary, to match an employee's voluntary increase.

Contributions paid and costs incurred, by the group, are charged as Resources Expended in the year in which they are payable, in accordance with the rules on accounting for defined contribution pension schemes in FRS102.

The pension charge for the year was £213k (2015: £188k). An amount of £33k was owing to the plan in respect of contributions as at 31 March 2016 (2015: £30k).

(g) Other pension schemes

During the year, contributions have been made towards two schemes in respect of employees transferred on acquisition of the Care Fund group. The group contributions to this plan are fixed amounts, dependent on individual contracts of employment.

Contributions paid & costs incurred, by the group, are charged as expenditure in the year in which they are payable, in accordance with the rules on accounting for defined contribution pension schemes in FRS 102.

The assets of the plan, which are held separately from those of the group, are invested with Scottish Equitable plc and Friends Provident plc. The pension charge for the year was £2k (2015: £2k). An amount of £nil was owing to the plan in respect of contributions as at 31 March 2016 (2015: £nil).

25. FINANCIAL COMMITMENTS

	2016		2015	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
The total minimum commitments for non-cancellable operating leases are as follows:				
Expiring within one year	778	575	717	619
Expiring between one and five years	2,211	839	2,022	702
Expiring in over five years	3,961	-	4,313	-
	<u>6,950</u>	<u>1,414</u>	<u>7,052</u>	<u>1,321</u>

26. CAPITAL COMMITMENTS

	2016 £'000	2015 £'000
Contracted for and not provided	-	102
Authorised by the Council but not contracted for	<u>9,700</u>	<u>12,608</u>

The Council has designated funds of £nil towards the capital commitments (see note 22).

The amounts authorised by the Council but not contracted for are based on the approved budgets and plans for 2016/17.

27. CONTINGENT LIABILITIES

Certain grants made to Hft may become repayable if certain conditions are not met.

(a) Grants in the amount of £160k (2015: £160k) made in respect of the development of the Cornwall Respite Service become repayable, primarily, if the property ceases to be used, by Hft, as a respite service for six learning disabled adults, before 3 October 2026.

(b) Grants in the amount of £338k (2015: £338k) made in respect of the development of Dove Cottages and the Resource Centre at the Herts & Essex Service, become repayable, primarily, if the properties cease to be used for their stated purposes, before 26 March 2027. The grants are secured by first charges on the properties.

(c) Grants in the amount of £100k (2015: £100k) made in respect of the purchase of No.14 Two Trees Estate at the Cornwall Service, become repayable, primarily, if this property ceases to be used for the stated purposes, before 14 January 2031. The grants are secured by a first charge on the property.

(d) A grant in the amount of £134k (2015: £134k) made in respect of the purchase and conversion of 10 Belmont Road, St Austell, Cornwall, become repayable, primarily, if this property ceases to be used for the stated purposes, before 1 February 2034. The grants are secured by a first charge on the property.

28. RELATED PARTY TRANSACTIONS

HF Trust Limited is the parent company within a group that prepares consolidated financial statements. The parent company has the following transactions with other group companies:

Hft leases a property from Hft Property Limited at an annual rent of £24k, and has an outstanding loan of £12k due from Hft Property Limited.

Hft has a loan of £21k due from Hft Trading Limited. This loan attracts interest in accordance with Lloyds bank base rate.

Hft has a loan of £59k due from Luv2meetU. This loan is interest free.

During the year, one of the Trustees of Hft (JM Waite), was also a Trustee of the Forbes Charitable Foundation. The group received grants from the Foundation during the year amounting to £4k. (2015: £57k).

29. CAPITAL

The charity is a company limited by guarantee. Each member has undertaken to contribute £1 to the assets of the group to meet its liabilities if called on to do so. The total amount guaranteed by members at 31 March 2016 is £1k (2015: £1k).

30. FINANCIAL INSTRUMENTS

The company's financial instruments are as follows:

	Group		Company	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Financial assets				
Debt instruments				
Trade debtors	3,375	8,072	3,375	8,072
Other debtors	564	404	564	404
	<u>3,939</u>	<u>8,476</u>	<u>3,939</u>	<u>8,476</u>
Equity Investments				
Listed investments	4,353	4,352	4,352	4,352
Financial Liabilities				
Mortgage loans	560	1,100	560	1,100
Interest free loans	165	165	165	165
Trade creditors	1,702	1,751	1,702	1,751
Other creditors	907	825	906	824
	<u>3,334</u>	<u>3,841</u>	<u>3,333</u>	<u>3,840</u>

Financial assets

Debt instruments are measured at amortised cost (trade debtors and other debtors).

Equity investments are measured at fair value through the income and expenditure account (other instruments).

Financial Liabilities

Financial liabilities are measured at amortised cost (creditors less other taxation and social security payable, amenity funds and accruals).

31. POST BALANCE SHEET EVENT – MERGER WITH EDWARD LLOYD TRUST (“ELT”).

Following a thorough due diligence process, the Edward Lloyd Trust (charity number 1005124, company number 02632235) merged into Hft on 31st May 2016. We are delighted with the merger, as it helps us to increase our existing presence in the Newcastle area, and it ensures the ongoing delivery of high quality person centred support to the people previously supported by ELT.