

# Annual Report and Accounts 2013

April 2012 to March 2013



TRUST STATUS:

Company limited by guarantee	148906
Registered Charity	211234
Private Registered Provider	LH1648

**Papworth Trust**  
**Report and Accounts**  
**31 March 2013**

**Papworth Trust**  
**Report and Accounts for the year ended 31 March 2013**

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*Registration  
Number*

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# **Papworth Trust**

## **Report and Accounts for the year ended 31 March 2013**

### **Structure**

The charity is constituted as a company limited by guarantee and is therefore governed by its Articles of Association. The liability of each member in the event of the company being wound up is £1. The company is a registered charity.

### **Business, Objectives and Strategy**

#### **Business and Objectives**

Papworth Trust is dedicated to providing high quality services to disabled people. Our Mission is about disabled people, meaning any disability as defined in prevailing law, including physical disability, learning disability, mental ill health, and sensory impairment possessing equality, choice and independence.

We are driven by the needs of our customers. They will continue to be at the heart of defining what we do and how we do it. Indeed, our strength will continue to be that we work with people of almost any age and all disabilities. The biggest challenge we face is delivering more good quality services for more disabled people in challenging economic times whilst growing our discretionary resources substantially to address increasing unmet need.

The Trust undertakes extensive project reviews, at least on an annual basis, in which the outcomes and achievements of the Trust's work are contrasted against its stated aims and objectives. The reviews look at the successes of each key activity and the benefits they have brought to those individuals and groups of people which the Trust was set up to help. The reviews also help to ensure that the Trust's aims, objectives and activities remain focused upon its stated objects. The Trust refers to the Charity Commission's general guidance on public benefit whenever reviewing its Mission, aims and objectives and when planning future activities.

#### **Strategy**

The Trust currently employs the following strategies to deliver its objectives:

- Empowering our customers not only to use, but directly shape our pace-setting projects and standards.
- Providing and developing services to address people's unmet needs and aspirations.
- Challenging discrimination faced by disabled people
- Lobbying policy makers and opinion leaders so that they will seek out and respect our insights into disability
- Working in partnership to increase the provision of services to disabled people over a wider geographical area

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- Providing and developing services which will make a measurable and lasting difference to our customers' quality of life.
- Investing in and empowering the Trust's employees, enabling them to better deliver the objectives of the Trust.
- Meeting as much unmet need as possible through donations, fundraising and volunteering.

#### **Charitable activities**

The Trust's objects and funding limit the availability of some of its services primarily to disabled individuals resident within the geographical areas in which the Trust works, often as specified by funders and other stakeholders. The finite supply of housing units specifically limits the number of tenants that the Trust is able to accommodate at any one time.

Access to the Trust's services is allocated by giving priority to referrals from a number of specified sources, as agreed with funders and other stakeholders, and is based on an initial assessment of an individual's personal circumstances and needs.

The Trust is committed to ensuring equal access to its services and sees equality and diversity as being of central importance to both its culture and operations. All the Trust's employees receive equality and diversity training as part of their induction.

Specific charitable activities undertaken by the Trust during the year included the provision of:

- Housing accommodation specifically adapted to meet the needs of individual tenants
- Grant funded young people's services, particularly for younger disabled people, to ensure they can enjoy their leisure time and prepare for an independent adult life. We now offer a combination of youth clubs, holiday clubs and social clubs from 27 different locations across 6 counties.
- Grant funded specialist Aids and Adaptations services, such as level access showers, designed to allow disabled people to remain in their own homes.
- Bursary places to provide vocational rehabilitation services to some individuals without funding from insurers or other sources.
- Information, advice and guidance services to disabled people from across the UK.

Further details regarding the direct impact and benefits that these activities have upon our customers' lives can be found in the relevant section of the Operating and Financial review.

In addition to helping its clients directly, the Trust's activities also provide wider reaching benefits. Our lobbying activities have brought benefits to all disabled

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people, not just customers of Papworth Trust, by influencing the review of the assessment process for Personal Independence Payments. In 2012/13 Papworth Trust hosted an All Party Parliamentary Group meeting and an expert roundtable event on Social Care reforms. This is a sign of our past successes and our rising profile.

### **Operating and Financial Review**

We currently serve over 20,000 disabled people and their families each year, providing housing, care and support, vocational rehabilitation, work opportunities, leisure activities and advice and guidance.

#### ***General Needs Housing***

General Needs Housing comprises 173 units in management. These are primarily located in and around Papworth Everard. Whilst the Trust aims to provide affordable social housing, the increased focus on supported housing for our disabled customers and the constraints of sourcing new finance for housing development, means that the number of general needs properties is unlikely to increase in the foreseeable future.

During the year these properties contributed rental income of £822k with very low levels of voids (1.5%)

#### ***Supported Housing***

Supported housing comprises 494 units, of which 28 are managed on behalf of others. These accessible properties allow our customers to live as independently as possible. Specific adaptations are made to meet individual needs. The Trust will continue to create, develop and deliver accessible and sustainable housing solutions for disabled people.

Total income from rents and service charges amounted to £2,889k with voids of 3%.

There is no shortage of opportunities to deliver accessible homes, however the difficulties in sourcing suitable funding for these opportunities continues to present a challenge. Consequently our ambitions have been scaled down. We propose delivering approximately 35 additional units of accommodation across the 3 years of our 2013 Business Plan.

#### ***Other Social Housing activities***

We provide a Home Improvement Agency (HIA) service to 16 Local Authorities and Unitary Councils across Essex, Hertfordshire, Leicestershire and North East London. We also carry out handyperson and home security services across most of this area. As we continue to grow our HIA services we have learnt that many HIAs are run on a small-scale basis and are inefficient and unable to meet the continuing needs of the

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customer group they serve. When we tender for new services we often need to carry out immediate restructuring of service delivery to ensure they meet our performance expectations. Our HIA services have grown in a sustainable manner and overall performance is improving.

We also have an Aids and Adaptations service delivering professional project management and delivery of accessible showers and bathroom conversions. The majority of the work arises from referrals by the HIA services.

### ***My Work***

The service helps people prepare for, choose, secure, retain and develop in work in whatever form is appropriate for them.

We deliver the Work Programme sub-contracting to Ingeus from 10 offices located across Northamptonshire, Suffolk and Cambridgeshire. The programme was launched in June 2011 and is set to last for 5 years with an additional 2 years customer support. After a slow start to the contract we have now made a number of changes to our delivery model which has

resulted in significantly improved performance. At this time, we are not forecasting losses over the life of this contract.

We will focus on continuing to improve the contractual and financial performance of the Work Programme by:

- Increasing the number of customers moving into and sustaining employment.
- Expanding the skills base of staff in order to support as many customers as possible to effectively overcome their barriers to work - in particular working with customers who receive Employment Support Allowance and ex-offenders, most of whom will have a disability.
- Developing our relationships and partnerships with employers to increase the pool of vacancies available to our customers.

### ***Vocational Rehabilitation***

As part of My Work, we currently deliver vocational and medical rehabilitation services nationally to those who have been injured and become disabled. The work is largely funded by insurance companies although our discretionary funds are used to provide some bursary places for people who are unable to access insurance funding.

We will continue to review and evaluate the future scale and direction of the Vocational Rehabilitation service, which we have not managed to grow as planned over recent years. In the past year, the volume of customers at all stages of the programme has increased and the service is close to reaching a financial break-even

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point. Our focus will remain on how we can grow the service for it to become more sustainable in the longer term.

#### ***My Care***

My Care helps people to maintain, obtain or achieve levels of independence that they want whilst ensuring that they can achieve a high quality of life and meet their stated goals. This can include supporting people with personal care, to helping them live independently in their own home. We deliver care and support services for disabled people under contract in Bedford, Papworth Everard, Ipswich and Lowestoft. Respite services and support are provided to individual carers, both in a Centre and home setting, through Personal Budgets and spot-purchase arrangements.

This service has yet to achieve a breakeven position. We want to continue to deliver these good quality services, valued by both customers and commissioners. We will work with Local Authorities to provide good, cost-effective services. Our priority will be to ensure all services are financially viable and that we can demonstrate the quality of service and value for money.

Wherever possible, My Care works closely with My Home to provide a joined up service for customers needing supported housing and care and support services and My Leisure where services and activities often overlap.

My Care also enhanced its support services for carers with the successfully completed merger of Waveney (Crossroads) Ltd in December 2012.

#### ***My Leisure / My Services***

My Leisure focuses on helping people prepare for and make the best choices about enjoying their lives and leisure time. We offer a range of leisure and learning activities, particularly for younger disabled people to ensure they can enjoy their leisure time and prepare for an independent adult life.

My Services helps disabled people live as independently as they choose to by complementing or supporting the delivery of training, advice and guidance support services.

We have facilitated and supported groups of our customers to take short breaks and holidays. This is delivered on an individual basis and is dependent on the capacity and flexibility of our staff.

Following the successful award of the Millennium Now Big Lottery funding, we are setting up Papworth Trust's Kerry Farm. The first families are due to stay at the farm in autumn 2013.

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It will offer holidays to families from across the UK, who struggle to support a disabled family member and has been developed in response to the need for innovative, practical and sustainable solutions for families facing such difficulties. It has been designed to meet the need for combined holiday and respite care. Families will be supported for the duration of their stay by Papworth Trust staff. During the 2 years of Big Lottery funding, holidays will be offered to families free of charge.

There has been a fantastic response from families wanting to visit the farm and we are investigating how we can help more than was originally planned.

#### ***Other activities***

Our Information, Advice and Guidance Service and Policy and Involvement teams have been occupied by the many welfare changes which will become reality during the next financial year. This means many of our customers will have less money to spend on services as their income is squeezed. The changes are likely to mean increased demand for our Information, Advice and Guidance (IAG) service.

From October 2013, Universal Credit will simplify the multiple working-age benefits into one benefit. The design of Universal Credit also means that disabled people will be able to earn more money and keep more benefits than under the current system.

Assessments for the new Personal Independence Payment (PIP) will begin from June 2013. It is estimated that 500,000 people who currently receive Disability Living Allowance (DLA) will not receive PIP.

The introduction of the under-occupation penalty for Housing Benefit, "The Bedroom Tax", also starts in 2013. It will mean tenants living in properties with a spare bedroom will see a reduction in the amount they receive to pay their rent. The change is likely to affect the majority of our supported living tenants.

Papworth Trust's customers are now more formally and informally involved across the organisation. Our new User Forum has been established for 18 months and we continually review its format to ensure it is the best model to represent all of our customers while finding new ways for more customers to be involved in the Forum.

In our Centenary Strategy, we aim to deliver one-fifth of all that we do through donations, fundraising and volunteering by 2017. Significant investment has been made in 2012/13 in the structure and staffing of the fundraising and volunteering teams to meet the 1 in 5 objective.

Almost 40,000 volunteer hours were contributed across the organisation in 2012/13. All volunteer activity is recorded and volunteers are supported in their roles with volunteer policies in place to ensure good practice. We identify volunteer role opportunities, promote these and actively recruit volunteers.

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**Financial Review**

Turnover and operating surplus for 2012/13 are shown in the table below

	<b>2013</b>	2012
	<b>£'000</b>	£'000
<b>Income and Expenditure Account</b>		
Turnover	19,476	19,970
Operating Costs	(19,510)	(19,573)
Operating Deficit	(34)	397
Gain on sale of fixed assets	391	531
Interest payable	(687)	(631)
<b>(Deficit)/surplus for the year</b>	<b>(330)</b>	<b>297</b>
	<b>2013</b>	2012
	<b>£'000</b>	£'000
(Deficit)/surplus for the year	(330)	297
<u>Gains on Investments</u>		
Realised	629	-
Unrealised	66	303
<b>Total recognised surpluses for the year</b>	<b>365</b>	<b>600</b>

***Compliance with Statement of Recommended Practice: Accounting by registered social housing providers (2010).***

These financial statements have been prepared to comply with the SORP (2010) for Registered Social Housing Providers and with the Accounting Direction for Social Housing in England 2012. Following a review by the Trustees, the presentation of the financial statements has been revised, compared to the 2012 financial statements, in order to better reflect the requirements of the SORP (2010) for Registered Social Housing Providers.

The table below shows a comparison of how the Trust's Income and Expenditure account would have looked under the Charity SORP vs. the Housing SORP:

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	Housing SORP 2013 £'000	Charity SORP 2013 £'000	Housing & Charity SORP 2012 £'000
<b>Income and Expenditure Account</b>			
Turnover	19,476	20,539	19,970
Operating Costs	(19,510)	(19,823)	(19,573)
Operating Surplus	(34)	716	397
Gain on sales of fixed assets	391	391	531
Interest payable	(687)	(687)	(631)
<b>Deficit/surplus for the year</b>	<b>(330)</b>	<b>420</b>	<b>297</b>

The Financial Statements and Notes set out the financial performance for the year in greater detail, however some key areas of performance were:

#### **Income**

- Total turnover reduced from £20.0m to £19.4m. Turnover from social housing activities increased by £0.7m, however turnover from non-social housing activities decreased by £1.2m.
- Turnover from social housing lettings rose from £3.6m to £3.7m, primarily as a result of the annual rent review and some new properties coming into management.
- Non-social housing activities saw increased income from fundraising, following the recruitment of a stronger team, offset by reduced turnover from My Care and My Work. Income for My Care reduced by 21%, mainly due to the cessation of a loss-making contract. My Work income reduced by 8% due to issues with the Work Programme contract at the start of the financial year, which are described earlier in this report.
- During the year the Trust disposed of certain investments which realised gains of £629k.

#### **Expenditure**

- Operating costs reduced by £63k in the year to £19.5m. This was achieved by strict control and monitoring of expenditure.
- Interest payable on loans and overdrafts increased by £56k to £687k as a result of additional drawdown on the loan facility to fund investment in social housing.

#### **Balance Sheet**

The key Balance Sheet highlights are:

- The historic cost of housing properties increased from £45.7m at the start of the year to £47.1m at the end of the year.

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- The cash balance was £190k at the end of the year, an increase of £154k.
- Total reserves were £24.6m at the year end, increased from £24.2m at the start of the year. Reserves are maintained as detailed in the reserves policy below.

#### ***Housing Development***

The Trust slowed its housing development during the year as it became closer to drawing down all of its long term loan facilities. No new facilities were arranged during the year. During 2013/14 the Trust will develop a longer term finance strategy which will define the amount of new homes delivered going forwards and how the finance will be raised.

There remains a significant need for fully accessible housing and the Trust is committed to building more homes as a result.

#### ***Treasury Management***

The Trust's housing development has been financed through a combination of Social Housing Grant, long term loan facilities and surpluses generated through normal activities and fundraising.

Treasury Management is managed by the Finance Team and overseen by the Finance Committee where it is reviewed on a regular basis.

The strategy states that at least 75% of drawn funds should be fixed or hedged at any one time. That remaining should be held as variable rate debt.

#### ***Loan Covenants***

There are a number of different loan covenants in place on the Trust's long term loans. The key measures are asset cover and interest cover. Breach of covenants could result in loans becoming immediately repayable. Loan covenants are monitored monthly and were met for the year ended 31 March 2013.

#### ***Reserves Policy***

Papworth Trust has a policy of setting aside certain assets to cover contingencies. Amounts are currently invested to provide returns which along with fundraised income, helps to support existing projects and develop new ones.

Papworth Trust sets money aside where a purpose is specified by the donor. This may permit Papworth Trust to spend the income generated by a donated investment (known as an Endowment), or it may permit Papworth Trust to spend the amount donated (known as a Restricted Reserve).

Papworth Trust established a Disability Services Fund to provide financial support for the development of new activities and services to support disabled people.

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The Property Fund represents Papworth Trust's funds that are invested in tangible fixed assets, net of loans, grants and donations received to specifically finance such assets and are not therefore available to meet operating expenses.

To safeguard against unforeseen shortfalls or changes in the funding of the services and programmes for disabled clients for whom Papworth Trust is already committed, a Contingency Fund has been established, representing between two and four month's expenditure on such committed programmes plus additional specific exposures to be assessed each year.

The General Funds represent Papworth Trust's available free funds. Movements between funds are approved annually by the Finance Committee, and are set out in Note 15 to these accounts.

#### ***Investment Policy***

Investments are managed with full discretion by Papworth Trust's investment advisers under the overall supervision of Papworth Trust through its Joint Investment Committee with The Varrier-Jones Foundation. The Committee monitors the performance of the investment advisers through formal bi-annual review meetings.

#### ***Corporate Governance***

As a limited company Papworth Trust is governed by its Members. Trustees are elected by the Members at a General Meeting. Trustees can also co-opt additional Trustees to the Board, who must subsequently be elected by Members at the General Meeting. The election or appointment of Trustees is detailed in the Articles of Association.

Trustees meet six times a year to review the management of the organisation. Day-to-day management is delegated to the Chief Executive and Leadership Team. Trustees also meet managers in Committees to oversee the activities of specific operations of the organisation in more detail. Membership of Committees reflects the interests and expertise of the respective Trustees. Minutes of all Committee meetings are subsequently circulated to the full Board.

The induction process for Trustees includes attendance at staff induction and disability awareness training courses, supported by in-depth briefings from senior managers and visits to our centres. Further training is arranged to meet the specific needs of individual Trustees.

Trustees do not receive a salary, but may claim expenses for attending meetings (see Note 19 to these accounts).

Trustees and Leadership Team members are asked to complete an annual Disclosure Statement to notify Papworth Trust of any involvement in any other organisations. This was most recently completed in March 2013.

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***Trustees Liabilities***

Papworth Trust has indemnified the Trustees of Papworth Trust against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provision was in force during the year.

**VALUE FOR MONEY**

Papworth Trust is committed to delivering Value for Money ('VfM') and is undertaking a number of actions to ensure this is so. Progress and results of these actions are being reviewed at least annually by Trust's Independent Living Committee.

The table below shows the key elements of the action plan and progress that has been achieved to date.

<b>Key elements</b>	<b>Progress</b>
Understand the returns and costs of our activity in both money and social terms.	Costs are monitored against budget and reviewed in details. A new finance package is planned for 2014 which will further enhance the quality of management information available.
Demonstrate comparison with peers	The Trust has become a member of an East of England benchmarking group for small providers. Data is currently being collated within the group to meet the VfM requirements. This will then be reviewed quarterly.
Involve customers in determining VFM	Tenant involvement activity has run well at the Trust since 2010.
Clearly understand the expected returns on any future investments	The Trust has a robust process for assessing new developments and their required financial performance.  Potential developments which do not meet the required performance are not pursued.
To have a clear strategy for optimising VfM.	Full proposals for VfM monitoring have been reviewed by our Independent Living Committee.  Results and progress will be monitored going forwards at least annually.

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#### *Risk Management*

The Board of Trustees has overall responsibility for establishing and maintaining the whole system of internal control and reviewing its effectiveness. The Trustees recognise that no system of internal control can provide absolute assurance against material misstatement or loss or eliminate all risk of failure to achieve the organisation's objectives. The system of internal control is designed to manage key risks and to provide reasonable assurance that planned objectives and outcomes are achieved. This will also give reasonable assurance about the reliability of financial and operational information and the safeguarding of Papworth Trust's assets and reputation.

Papworth Trust also maintains a risk register in which risks are documented and evaluated, so that major risks can be identified and the effectiveness of controls which address these risks can be assessed.

The principal risks and uncertainties have been identified as:

<b>KEY RISK</b>	<b>MITIGATING ACTIONS</b>
<b>Government Austerity measures</b> There may be further cuts by the Government under its austerity programme which may affect our income.	<ul style="list-style-type: none"><li>• Financial forecasts and the progress of our operations are regularly reviewed through Quarterly Business Reviews.</li><li>• Operational areas are focusing on maximising efficiency of current activity.</li></ul>
<b>Underperformance of Work Programme</b> The number of job starts, job outcomes and sustains may fall to lower levels than budgeted as the result of adverse economic conditions, lower levels of referrals to the programme or lower performance by the Trust.	<ul style="list-style-type: none"><li>• Key data are monitored weekly. Any drop in performance will be investigated without delay.</li></ul>
<b>Failure of the personalisation project</b> The Trust is working to develop services and systems for customers with Personal Budgets (PBs). Should we fail it is likely to impact on future growth as more customers switch to PBs.	<ul style="list-style-type: none"><li>• The biggest area of potential growth is likely to be in My Care with its Core income from Local Authority contracts diminishing. Work is already being done to attract customers with Personal Budgets.</li></ul>

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KEY RISK	MITIGATING ACTIONS
<p><b>Breach of banking covenants</b> The Trust may fail to meet certain financial covenants required by the banks in relation to our loan agreements with them.</p> <p>Breach of covenant could lead to higher borrowing costs or repayment of loans.</p>	<ul style="list-style-type: none"><li>• Quarterly reforecasting and close monitoring of finances and covenants is embedded in the Trust's systems.</li><li>• Signs of potential breach are identified at an early stage to allow for necessary action.</li></ul>
<p><b>The investment to deliver sustainable growth in fundraising income does not result in the planned increases in revenue</b></p> <p>Increased investment and resultant income has been forecast in most areas of fundraising.</p> <p>Given the tough financial climate there is a risk that we may not meet these targets.</p>	<ul style="list-style-type: none"><li>• The success of fundraising campaigns is closely monitored, ensuring that future plans can be adjusted accordingly.</li><li>• Spend can be targeted to areas which deliver success.</li></ul>
<p><b>A crisis could occur which damages the Trusts reputation.</b></p>	<ul style="list-style-type: none"><li>• A crisis management plan has been developed across the Trust</li></ul>

Key elements of the control framework and the system for reviewing the effectiveness of the system of internal control are as follows:

#### Planning and approval

Papworth Trust has adopted a formal process for approval of new projects which identifies risks and controls. Combined with the budget process, which reviews risks and controls in existing processes, this generates a comprehensive review of risks.

#### Committees

Committees take a more detailed interest in specific areas of Papworth Trust's activities, and monitor performance against key performance indicators.

#### Finance Committee

The Finance Committee has delegated responsibility from the Board for the oversight of key issues such as treasury management, financial appraisal of new projects and prevention and detection of fraud. The Finance Committee is also responsible for reporting to the Board of Trustees on the effectiveness of internal controls. At each meeting the Finance Committee reviews the major risks, and assesses the effectiveness of actions in managing those risks. This includes a discussion about the use internal audit activities to assess the effectiveness of

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controls. The Finance Committee submits minutes of its meetings to the Board of Trustees for noting.

#### **Monitoring and corrective action**

Financial reporting procedures include detailed budgets for the year ahead, detailed monthly management accounts, and longer-term financial plans used for strategic planning. The Leadership Team and Trustees review the reports in detail.

Papworth Trust's regular Quarterly Business Reviews allow operational and enabling teams the opportunity to share performance results and changes to the risk map, and to plan corrective action if targets are not being met.

#### **Going Concern**

The Trustees have carried out a review and are satisfied that the organisation is a going concern.

#### **Health and Safety**

The Board is aware of its responsibilities on all matters relating to health and safety. Papworth Trust has prepared detailed health and safety policies and provides staff training and education on health and safety matters.

#### **Disabled Employees**

Papworth Trust has a Diversity and Equality policy regarding the employment of staff, including disabled employees, and gives full consideration to applications for employment from disabled people.

Where existing employees acquire a disability, it is Papworth Trust's policy wherever possible to provide continuing employment and to provide training and career development to employees wherever appropriate.

Currently 16% of Papworth Trust's employees are disabled.

#### **Employee Involvement**

We are committed to providing our employees with information about our activities, consulting with them on major changes and generally developing an open culture in the organisation. A communications network has been set up to provide regular exchange of information. Regular meetings are held between managers and staff teams to allow a free flow of information, we use our intranet site to share information with staff, we hold Staff Conferences to update staff on strategy and other major developments, and sent out a monthly newsletter to all staff.

#### **User Involvement**

There are local user groups covering our centres and services. Representatives from these groups come to the Forum, a meeting held four times a year for people who

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use our services. It is very important to us that our customers are involved and influence how we develop and design services.

Trustee User Representatives are appointed by a panel and they influence decisions made by attending Board of Trustees meetings.

#### ***Staff, Volunteers and Trustees***

Finally I would like to thank the Trustee User Representatives, staff, volunteers and Trustees of Papworth Trust for their dedication and hard work during the past year.

#### ***External Auditors***

The Trustees conducted a tender process and agreed to appoint KPMG LLP as auditors in September 2012.

#### ***Disclosure of Information to Auditors***

The directors who held office at the date of approval of this Board Report confirm that, so far as they are each aware, there is no relevant audit information of which the Group's auditors are unaware; and each director has taken all the steps that he or she ought to have taken as a director to make himself or herself aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

The report of the Board of Trustees was approved by the Board on 25 July 2013 and signed on its behalf by:



R Hammond  
Chair of Trustees

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#### **Statement of Trustees' responsibilities in respect of the Trustees' Report and the financial statements**

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

Company law requires the Trustees to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under company law the Trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the association and of the surplus or deficit for that period. In preparing these financial statements, the Trustees are required to:

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

The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the association's transactions and disclose with reasonable accuracy at any time the financial position of the association and enable them to ensure that the financial statements comply with the Companies Act 2006, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2012. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the association and to prevent and detect fraud and other irregularities.

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

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#### **Independent auditor's report to the members of Papworth Trust**

We have audited the financial statements of Papworth Trust ("the association") for the year ended 31 March 2013 set out on pages 21 to 42. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the association's members, as a body, in accordance with section 128 of the Housing and Regeneration Act 2008 and Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the association'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 association and the association'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 Trustees' Responsibilities Statement set out on page 11, the Trustees 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 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 [www.frc.org.uk/auditscopeukprivate](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 affairs of the association as at 31 March 2013 and of its deficit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Companies Act 2006, [the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2012.

#### **Opinion on other matter prescribed by the Companies Act 2006**

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

## Papworth Trust

### Report and Accounts for the year ended 31 March 2013

#### 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:

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

*S Beavis*

Stephanie Beavis (Senior Statutory Auditor)

For and on behalf of KPMG LLP, Statutory Auditor  
Chartered Accountants  
Botanic House  
100 Hills Road  
Cambridge  
CB2 1AR

Date: *23 August 2013*

**Papworth Trust**  
**Report and Accounts for the year ended 31 March 2013**

**Income and Expenditure Account**

	Notes	2013 £'000	2012 £'000
<b>Turnover</b>			
Continuing operations	2	<u>19,476</u>	<u>19,970</u>
		<u>19,476</u>	<u>19,970</u>
<b>Less: Operating costs</b>			
Continuing operations	2	<u>(19,510)</u>	<u>(19,573)</u>
		<u>(19,510)</u>	<u>(19,573)</u>
<b>Operating deficit</b>			
Continuing operations		(34)	397
Gain on sale of fixed assets		391	531
Interest payable and similar charges	6	<u>(687)</u>	<u>(631)</u>
<b>(Deficit)/surplus for the year</b>		<u>(330)</u>	<u>297</u>

**Statement of Total Recognised Surpluses and Deficits**

	Notes	2013 £'000	2012 £'000
(Deficit)/surplus for the year		(330)	297
<b>Gains on Investments</b>			
Realised	8/9	629	-
Unrealised	8/9	66	303
<b>Total recognised surpluses and deficits for the year</b>		<u>365</u>	<u>600</u>

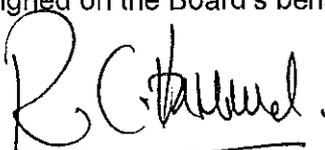
The historical cost surpluses for the year are identical to those reported in the financial statements above.

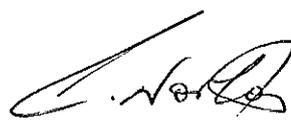
The accompanying accounting policies and notes form part of these financial statements.

**Papworth Trust**  
**Report and Accounts for the year ended 31 March 2013**

<b>Balance Sheet</b>	<b>Notes</b>	<b>2013</b>	<b>2012</b>
		<b>£'000</b>	<b>£'000</b>
<b>Fixed Assets</b>			
Housing Properties	7	44,658	43,499
Less: Grants	7	<u>(19,555)</u>	<u>(19,705)</u>
		25,103	23,794
Other Fixed Assets	7	5,739	5,859
Investments	8	7,734	7,849
Endowment Fund Assets	9	<u>211</u>	<u>203</u>
<b>Total fixed assets</b>		<u><b>38,787</b></u>	<u><b>37,705</b></u>
<b>Current Assets</b>			
Debtors - amounts falling due within one year	10	2,658	3,152
Cash at bank and in hand		<u>190</u>	<u>36</u>
		2,848	3,188
<b>Creditors:</b>			
Amounts falling due within one year	11	<u>(3,501)</u>	<u>(3,673)</u>
<b>Net current liabilities</b>		<u>(653)</u>	<u>(485)</u>
<b>Total assets less current liabilities</b>		<u><b>38,134</b></u>	<u><b>37,220</b></u>
<b>Creditors:</b>			
Amounts falling due after more than one year	12	(13,506)	(12,669)
<b>Provisions for liabilities and charges</b>	14	<u>(15)</u>	<u>(303)</u>
<b>Net Assets</b>		<u><b>24,613</b></u>	<u><b>24,248</b></u>
<b>Reserves</b>			
<b>Restricted Reserves</b>			
Endowment Funds	15	211	203
General Funds			
Capital Funds	15	3,605	3,751
Income Funds	15	<u>374</u>	<u>235</u>
		3,979	3,986
<b>Total Restricted Reserves</b>		<u><b>4,190</b></u>	<u><b>4,189</b></u>
<b>Unrestricted Reserves</b>			
<b>Designated Reserves</b>			
Disability services fund	15	1,154	690
Property fund	15	<u>13,346</u>	<u>11,738</u>
		14,500	12,428
<b>General Reserves</b>			
Contingency fund	15	<u>5,923</u>	<u>7,631</u>
<b>Total unrestricted reserves</b>		<u><b>20,423</b></u>	<u><b>20,059</b></u>
<b>Total Reserves</b>		<u><b>24,613</b></u>	<u><b>24,248</b></u>

The financial statements were approved by the Board at a meeting held on 25 July 2013 and signed on the Board's behalf by:

  
**R Hammond**  
**Trustee**

  
**R Norton**  
**Trustee**

**Papworth Trust**  
**Report and Accounts for the year ended 31 March 2013**

	2013	2012
	£'000	£'000
<b>Net cashflow from operating activities</b>	1,438	854
<b>Returns on investments and servicing of finance</b>		
Dividends and interest received	3	3
Interest paid and similar charges	<u>(687)</u>	<u>(631)</u>
<b>Net cash outflow from returns on investments and servicing of finance</b>	(684)	(628)
<b>Capital expenditure and financial investment</b>		
Payments to acquire and improve housing properties	(1,938)	(2,288)
Capital grants received in respect of housing properties	150	80
Appeal income for capital projects	218	268
Payments to acquire other fixed assets	(573)	(491)
Proceeds of sale of land and property	<u>705</u>	<u>928</u>
<b>Net cash outflow from capital expenditure and financial investment</b>	(1,438)	(1,503)
<b>Net cash inflow / (outflow) before financing</b>	(684)	(1,277)
<b>Financing</b>		
Housing loan advances received	1,000	1,000
Other loans received	53	-
Housing loans repaid	<u>(214)</u>	<u>(211)</u>
<b>Net cash inflow / (outflow) from financing</b>	839	789
<b>Increase / (decrease) in cash in the year</b>	<u>155</u>	<u>(488)</u>

**Papworth Trust**

**Report and Accounts for the year ended 31 March 2013**

**Notes to the Cashflow statement**

**a) Reconciliation of operating surplus for the year to net cash flow from operating activities**

	<b>2013</b>	2012
	<b>£'000</b>	£'000
Operating (deficit)/ surplus	(330)	297
Gains on sale of land and other fixed assets	(391)	(531)
Realised gains on sales of investments	629	-
Dividends and interest receivable	(3)	(3)
Interest payable	687	631
Appeals income for restricted purposes	(218)	(268)
Non cashflow items:		
Depreciation	1,030	1,100
(Increase)/decrease in debtors	494	(80)
Increase/(decrease) in creditors	(460)	(292)
<b>Net cashflow from operating activities</b>	<b>1,438</b>	<b>854</b>

**b) Analysis of the balance of cash as shown in the balance sheet and notes to the accounts**

	<b>2013</b>	<b>Change in the year 2013</b>	2012	<b>Change in the year 2012</b>
	<b>£'000</b>	<b>£'000</b>	£'000	£'000
Cash at bank and in hand	190	154	36	(463)
	190	154	36	(463)
Disability Services Fund	-	-	-	(25)
Endowment Fund (Note 9)	147	1	146	-
	<b>337</b>	<b>155</b>	<b>182</b>	<b>(488)</b>

**c) Analysis of changes in financing during the year**

	<b>Housing Loans £'000</b>	<b>Other Loans £'000</b>	<b>Total £'000</b>
At 1 April 2012	12,329	574	12,903
Drawings under housing loans	1,000	-	1,000
Drawings under other loans	-	53	53
Repayment of housing loans	(214)	-	(214)
At 31 March 2013	<b>13,115</b>	<b>627</b>	<b>13,742</b>
At 1 April 2011	11,540	574	12,114
Drawings under housing loans	1,000	-	1,000
Repayment of housing loans	(211)	-	(211)
At 31 March 2012	<b>12,329</b>	<b>574</b>	<b>12,903</b>

## **Papworth Trust**

### **Report and Accounts for the year ended 31 March 2013**

#### **Notes to the Financial Statements**

##### **1. ACCOUNTING POLICIES**

The financial statements have been prepared on a going concern basis and using the accruals basis of accounting in accordance with applicable accounting standards in the United Kingdom and in accordance with the Statement of Recommended Practice (SORP) Accounting by Registered Social Housing Providers (Update 2010) and The Accounting Direction for Private Registered Providers of Social Housing 2012.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements. The accounting policies have remained unaltered from the prior year.

##### ***Basis of accounting***

The financial statements are prepared on the historical cost basis of accounting as modified to include the revaluation of investments to market value.

##### ***Going Concern***

The Board has assessed Papworth Trust's financial position and resources, together with a review of budgets for 2013/14 and financial forecasts. On the basis of this assessment the Board believes that the Trust is well placed to manage its business risks.

The Board therefore has a reasonable expectation that adequate resources exist for the Trust to continue in operational existence for the foreseeable future and thus continues to adopt the going concern basis of accounting in preparing these financial statements.

##### ***Turnover***

Turnover represents the income derived from the carrying on of Papworth Trust's activities, comprising the sale of goods and services, property rental income net of voids, fees for progression, occupation and rehabilitation services, revenue grants from statutory and other authorities, charitable gifts, donations and legacies.

##### ***Property rental income***

Rental and service charge income from residential properties is recognised in the income and expenditure account when it falls due.

##### ***Grants from Jobcentre Plus***

Grants for the acquisition or improvement of industrial buildings are treated as interest-free loans.

##### ***Revenue grants receivable***

Revenue grants are credited as income when they are receivable, provided conditions for receipt have been complied with, unless they relate to a specified future period, in which case they are deferred.

##### ***Donations and gifts***

All monetary donations and gifts are included in full in the statement of financial activities when receivable.

## Papworth Trust

### Report and Accounts for the year ended 31 March 2013

#### Notes to the Financial Statements

##### 1. ACCOUNTING POLICIES (continued)

###### ***Housing properties and Components***

Housing properties are shown in the balance sheet at cost, net of Social Housing Grant and other capital grants. The cost of housing properties is their purchase price, together with incidental costs of acquisition and capitalised major repairs and improvements.

Housing properties consist of several different physical components each of which have substantially different useful economic lives. Each major component, excluding land, is accounted for separately and depreciated over its individual useful economic life.

Disposals include, but are not limited to, those components capitalised previously and depreciated over its individual useful life.

###### ***Major Repairs***

Major repairs are capitalised to the extent that they relate to the replacement or restoration of a separately identified property component or where the expenditure results in enhancement of the economic benefits of the assets such as an increase in rental income, a reduction in future maintenance costs or a significant extension to its useful economic life. In any other circumstances major repairs are charges to income and expenditure account as incurred.

###### ***Depreciation and Impairment***

Housing properties, net of Social Housing Grant and other capital grants and consisting of several different physical components, are depreciated on a straight line basis over their expected useful economic lives as follows:

Structure	80 years
Roof	50 years
Windows and Doors	30 years
Kitchens	15 years
Bathrooms	20 years
Electrical Installation	40 years
Heating, ventilation and plumbing	30 years
Boilers	15 years

Freehold land is not depreciated. No depreciation is provided on housing properties in the course of construction. An impairment review of housing properties is undertaken annually.

Depreciation is charged on a straight line basis over the expected useful economic lives of other tangible fixed assets as follows:

Freehold non-housing properties	25 years
Leasehold improvements	Over the life of the lease
Plant, machinery and fixtures	3-15 years
Office equipment, except for personal computers	5-10 years
Motor vehicles	6 years

The total depreciation charge for the year amounted to £1,030k (2012: £1,100k).

## Papworth Trust

### Report and Accounts for the year ended 31 March 2013

#### Notes to the Financial Statements

##### 1. ACCOUNTING POLICIES (continued)

###### ***Shared Ownership properties***

Shared ownership properties are split proportionally between current and fixed assets based on the element relating to expected first tranche sales. The first tranche proportion is classed as a current asset and related sales proceeds included in turnover and the remaining element is classed as fixed asset and included in housing properties at cost, less any provisions needed for depreciation or impairment.

###### ***Social Housing Grant***

Where developments have been financed wholly or partly by Social Housing Grant, the cost of those developments has been reduced by the amount of the grant received.

Although Social Housing Grant is treated as a grant for accounting purposes, it may become repayable if the conditions under which the grant was made are not complied with, for example, if the properties to which the grant was designated cease to be used for the purpose of affordable social housing.

###### ***Donated land***

Land donated by local authorities and others is added to the cost of housing properties at the market value of the land at the time of the donation.

###### ***Sales of housing properties***

Where housing properties are sold which are retained as fixed assets, the surplus or deficit on sale is calculated by reference to the net book value of the property.

###### ***Fixed Asset Investments***

Investments are carried at mid-market value as at the balance sheet date. Realised gains and losses on this basis are taken to the income and expenditure account; unrealised gains and losses are recorded in the statement of financial activities.

###### ***Acquisition and Mergers***

On acquisition, the recognised assets and liabilities of the acquired entity are measured at fair values that reflect the conditions at the date of the acquisition.

Acquisitions of entities where the transaction is a gift to Papworth Trust are treated as non-exchange transactions. For non-exchange transactions the fair value of the gifted assets and liabilities are recognised as a gain or loss in the income and expenditure account in the year of the transaction.

###### ***Reserves***

Papworth Trust has a policy of setting aside certain assets to cover contingencies. Amounts are currently invested to provide returns which along with fundraised income, helps to support existing projects and develop new ones.

Papworth Trust sets money aside where a purpose is specified by the donor. This may permit Papworth Trust to spend the income generated by a donated investment (known as an Endowment), or it may permit Papworth Trust to spend the amount donated (known as a Restricted Reserve).

## **Papworth Trust**

### **Report and Accounts for the year ended 31 March 2013**

#### **Notes to the Financial Statements**

##### **1. ACCOUNTING POLICIES (continued)**

Papworth Trust established a Disability Services Fund to provide financial support for the development of new activities and services to support disabled people.

The Property Fund represents Papworth Trust's funds that are invested in tangible fixed assets, net of loans, grants and donations received to specifically finance such assets and are not therefore available to meet operating expenses.

To safeguard against unforeseen shortfalls or changes in the funding of the services and programmes for disabled clients for whom Papworth Trust is already committed, a Contingency Fund has been established, representing between two and four month's expenditure on such committed programmes plus additional specific exposures to be assessed each year.

The General Funds represent Papworth Trust's available free funds. Movements between funds are approved annually by the Finance Committee, and are set out in Note 15 to these accounts.

##### ***Restricted Reserves***

Restricted reserves represent unspent funds received for specific purposes from external organisations. Restricted reserves are only expendable in relation to the projects for which they are received.

##### ***Designated Reserves***

Designated reserves are those reserves that, whilst having been designated for a specific purpose, remain available for the general charitable objectives of the Papworth Trust. Transfers to and from designated reserves are made at the discretion of the Board. Further details regarding the purpose of designated reserves and movements in the year are provided in Note 15.

##### ***Pension costs***

Papworth Trust operates a defined contribution scheme for all new employees and a defined benefit scheme, both of which require contributions to be made to separately administered funds. Papworth Trust also contributes to The NHS Pension Scheme for relevant staff who have transferred under TUPE.

Contributions in respect of the defined benefit scheme are charged to the income and expenditure account as they become payable in accordance with the scheme rules. It is not possible in the normal course of events to identify on a consistent and reasonable basis the share of underlying assets and liabilities belonging to individual participating employers. This is because the Scheme is a multi-employer scheme where the Scheme assets are co-mingled for investment purposes, and benefits are paid from total Scheme assets. Accordingly, due to the nature of the Scheme, the accounting charge for the period under FRS17 represents the employer contribution payable.

##### ***Leased assets***

All leases are regarded as operating leases and the rentals payable are charged to the income and expenditure account on a straight line basis over the lease term.

## **Papworth Trust**

### **Report and Accounts for the year ended 31 March 2013**

#### ***Governance costs***

Governance costs comprise central governance costs and the costs of other strategic management of Papworth Trust. Central governance costs includes auditors fees, costs of holding Trustees Board and sub-committee meetings and costs of recruiting new Trustees.

#### ***Taxation***

Papworth Trust is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly the charity is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part II Corporation Tax Act 2010 or Section 356 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

**Papworth Trust**  
**Report and Accounts for the year ended 31 March 2013**

**Notes to the Financial Statements**

**2. Income, operating costs and surplus**

	Turnover	Operating Costs	2013 Central Support costs	Surplus / (Deficit)	Turnover	2012 Surplus / (Deficit)
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Social Housing activities</b>						
Income and expenditure from social housing lettings	3,744	(1,959)	(417)	1,368	3,571	1,415
<b>Other social housing activities</b>						
HIAs and Adaptations	2,557	(2,341)	(321)	(105)	2,003	(583)
Housing Development	12	(157)	(29)	(174)	-	(105)
<b>Total social housing activities</b>	<b>6,313</b>	<b>(4,457)</b>	<b>(767)</b>	<b>1,089</b>	<b>5,574</b>	<b>727</b>
<b>Non-social housing activities</b>						
My Work	4,431	(3,662)	(665)	104	4,799	488
Rehabilitation	717	(799)	(122)	(204)	986	(225)
My Care services	3,848	(3,510)	(615)	(277)	4,903	(403)
My Leisure	2,220	(2,264)	(284)	(328)	2,000	(100)
Advisory services	132	(170)	(15)	(53)	119	(117)
Research/Policy	7	(166)	(40)	(199)	-	(177)
Fundraising	1,728	(1,068)	(160)	500	1,498	828
Governance Costs	-	(45)	-	(45)	-	(49)
Other Strategic Management Costs	-	(634)	(21)	(655)	1	(737)
Other activities	80	(46)	-	34	90	162
	<b>13,163</b>	<b>(12,364)</b>	<b>(1,922)</b>	<b>(1,123)</b>	<b>14,396</b>	<b>(330)</b>
<b>Total social and non-social housing activities</b>	<b>19,476</b>	<b>(16,821)</b>	<b>(2,689)</b>	<b>(34)</b>	<b>19,970</b>	<b>397</b>

**Papworth Trust**  
**Report and Accounts for the year ended 31 March 2013**

**Notes to the Financial Statements**

**2. TURNOVER, OPERATING COSTS AND OPERATING SURPLUS (continued)**

**2 (b) Particulars of income and expenditure from social housing lettings**

	General Needs Housing £'000	Supported Housing £'000	2013 Total £'000	2012 Total £'000
<b>Income from social housing letting activities</b>				
Rent receivable	835	2,142	2,977	2,851
Service charge income	-	812	812	791
<b>Gross rents receivable</b>	<b>835</b>	<b>2,954</b>	<b>3,789</b>	<b>3,642</b>
Rent losses from voids	(13)	(65)	(78)	(71)
<b>Net rents receivable</b>	<b>822</b>	<b>2,889</b>	<b>3,711</b>	<b>3,571</b>
Other income	-	33	33	-
<b>Total income from social housing letting activities</b>	<b>822</b>	<b>2,922</b>	<b>3,744</b>	<b>3,571</b>
<b>Expenditure on social housing letting activities</b>				
Management	(200)	(608)	(808)	(534)
Services	(5)	(344)	(349)	(482)
Maintenance	(138)	(734)	(872)	(839)
Rent losses from bad debts	-	(11)	(11)	-
Depreciation	(88)	(248)	(336)	(301)
<b>Total expenditure on social housing letting activities</b>	<b>(431)</b>	<b>(1,945)</b>	<b>(2,376)</b>	<b>(2,156)</b>
<b>Operating surplus on social housing letting activities</b>	<b>391</b>	<b>977</b>	<b>1,368</b>	<b>1,415</b>

**Accommodation in management**

	General Needs Housing	Supported Housing	2013 Total	2012 Total
Number of units	173	494	667	666
Owned and managed	173	466	639	638
Managed on behalf of others	-	28	28	28
	173	494	667	666

## Papworth Trust

### Report and Accounts for the year ended 31 March 2013

#### Notes to the Financial Statements

#### 3. DIRECTORS' EMOLUMENTS

The directors are defined, for the purpose of emoluments, as the Chief Executive and other members of the Leadership Team. None of the Trustee Board members received any emoluments during the year.

No remuneration in 2013 or 2012 was performance linked.

	<b>2013</b> <b>£'000</b>	2012 £'000
Emoluments including benefits in kind	489	436
Retirement benefit scheme contributions in respect of services as directors	<u>48</u>	<u>66</u>
	<u>537</u>	<u>502</u>
Emoluments include amounts paid to: Highest paid director	<u>100</u>	<u>99</u>
Retirement benefit scheme contributions of the highest paid director	<u>20</u>	<u>19</u>
Other staff paid in excess of £60,000 during the year:		
£60,000 - £69,999	4	2
£70,000 - £79,999	<u>1</u>	<u>3</u>

The Chief Executive is an ordinary member of the defined benefits scheme. Benefits in kind relate to health care insurance.

#### 4. EMPLOYEE INFORMATION

The average monthly number of persons, including executive directors, employed during the period was:

	<b>2013</b> <b>Number</b>	2012 Number
Total employees	<u>526</u>	<u>525</u>
Full time equivalent	<u>416</u>	<u>366</u>

Full time equivalent is calculated on the number of hours worked.

<b>Staff costs:</b>	<b>2013</b> <b>£'000</b>	2012 £'000
Wages and salaries	11,124	10,122
Social security costs	933	862
Pension costs (Note 17)	<u>298</u>	<u>388</u>
	<u>12,355</u>	<u>11,372</u>

**Papworth Trust**  
**Report and Accounts for the year ended 31 March 2013**

**Notes to the Financial Statements**

**5. OPERATING SURPLUS**

	2013 £'000	2012 £'000
<b>The operating surplus is stated after charging:</b>		
Depreciation		
Housing properties	338	301
Other fixed assets	692	799
	<u>1030</u>	<u>1100</u>
Operating lease rentals:		
Land and buildings	406	281
Property and equipment	46	72
Auditors' remuneration		
- in capacity as auditors	18	24
- in respect of other services	1	1
	<u>          </u>	<u>          </u>

**6. INTEREST PAYABLE AND SIMILAR CHARGES**

	2013 £'000	2012 £'000
Interest on loans and overdrafts	<u>687</u>	<u>631</u>

**7. FIXED ASSETS**

**(a) Freehold Housing Properties**

	At 1 April 2012 £'000	Additions £'000	Disposals £'000	Charge for the year £'000	At 31 March 2013 £'000
Cost	45,772	1,938	(568)	-	47,142
Depreciation	(2,273)	-	127	(338)	(2,484)
Net depreciated cost	<u>43,499</u>	<u>1,938</u>	<u>(441)</u>	<u>(338)</u>	<u>44,658</u>
Social housing grant	(17,783)	-	-	-	(17,783)
Other housing grants	(1,922)	-	150	-	(1,772)
Total Grants	<u>(19,705)</u>	<u>-</u>	<u>150</u>	<u>-</u>	<u>(19,555)</u>
Net Book Value	<u>23,794</u>	<u>1,938</u>	<u>(291)</u>	<u>(338)</u>	<u>25,103</u>

Included in gross cost at 31 March 2013 are costs of building projects under construction totalling £473,000 (2012: £969,000) against which Social Housing Grant of £nil (2012: £80,000) has been received.

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Additions to freehold housing properties are analysed as follows:

	2013 £'000	2012 £'000
Completed property acquired	1,539	1,437
Replacement of components	305	556
Other works to properties	94	295
	1,938	2,288

Included in gross costs at 31 March 2013 are shared ownership schemes totalling £298,113 (2012 £298,113)

**(b) Other property, plant and equipment**

	Short leasehold Improvements £'000	Other freehold land and buildings £'000	Other Fixed Assets £'000	Total £'000
<b>Cost</b>				
At 1 April 2012	348	7,355	3,913	11,616
Additions	-	256	317	573
Disposals	-	(478)	(152)	(630)
Transfers	-	14	(14)	-
At 31 March 2013	348	7,147	4,064	11,559
<b>Depreciation</b>				
At 1 April 2012	202	2,806	2,749	5,757
Charge for the year	18	218	456	692
Disposals	-	(478)	(151)	(629)
Transfers	-	9	(9)	-
At 31 March 2013	220	2,555	3,045	5,820
<b>Net Book Value</b>				
At 31 March 2013	128	4,592	1,019	5,739
At 31 March 2012	146	4,549	1,164	5,859

**Papworth Trust**  
**Report and Accounts for the year ended 31 March 2013**

**Notes to the Financial Statements**

**8. FIXED ASSETS INVESTMENTS**

The following investments have been acquired in accordance with powers available to the trustees:

	2,013	2,012
	£'000	£'000

**Market Value**

Investments listed on the London Stock Exchange

Other shareholdings

Cost £6,570k (2012 - £6,744k)

7,734	7,849
-------	-------

**Movement in Year**

Investments listed on the London Stock Exchange

At 1 April 2012

Additions

Disposals

Revaluation to market value

7,849	7,545
2,400	-
(2,574)	-
59	304

At 31 March 2013

7,734	7,849
-------	-------

**9. ENDOWMENT FUND ASSETS**

2,013	2,012
£'000	£'000

Assets:

COIF Investment fund units at market value

(Cost £5,000 - 2012 £5,000)

Cash deposits

64	57
147	146
<b>211</b>	<b>203</b>

**Movement in year:**

At 1 April 2012

Investment income and interest for year

Maintenance expenditure

Revaluation to market value

At 31 March 2013

	Capital £'000	Income £'000	Total £'000
At 1 April 2012	77	126	203
Investment income and interest for year	-	3	3
Maintenance expenditure	-	(2)	(2)
Revaluation to market value	7	-	7
At 31 March 2013	<b>84</b>	<b>127</b>	<b>211</b>

**Papworth Trust**

**Report and Accounts for the year ended 31 March 2013**

**Notes to the Financial Statements**

**10. DEBTORS**

	<b>2013</b>	2012
	<b>£'000</b>	£'000
<b>Amounts falling due within one year</b>		
Arrears of rents and service charges	123	97
Less: provision for bad and doubtful debts	(47)	(38)
	<u>76</u>	<u>59</u>
Invoiced debtors	1,552	1,939
Other debtors	2	8
Prepayments and accrued income	1,028	1,146
	<u>2,658</u>	<u>3,152</u>

**11. CREDITORS: amounts falling due within one year**

	<b>2013</b>	2012
	<b>£'000</b>	£'000
Housing loans	236	235
Trade creditors	638	964
Other taxation and social security	594	719
Other creditors	108	123
Accruals and deferred income	1,925	1,632
	<u>3,501</u>	<u>3,673</u>

Average creditor days at 31 March 2013 were 30 days (2012: 32 days)

**12. CREDITORS: amounts falling due after more than one year**

	<b>2013</b>	2012
	<b>£'000</b>	£'000
Housing loans	13,115	12,330
Other loans	53	-
Jobcentre Plus grants	574	574
	<u>13,742</u>	<u>12,904</u>
Less: amounts due within one year	(236)	(235)
	<u>13,506</u>	<u>12,669</u>

**Papworth Trust**  
**Report and Accounts for the year ended 31 March 2013**

**Notes to the Financial Statements**

**12. CREDITORS: amounts falling due after more than one year (continued).**

	<b>2013</b>	2012
	<b>£'000</b>	£'000
<b>Housing loans</b>		
Repayable as follows:		
Within one year	236	235
Between one and two years	245	243
Between two and five years	1,315	1,325
In five years or more	11,319	10,527
	<u>13,115</u>	<u>12,330</u>
 <b>Sources of finance</b>		
Orchardbrook Limited	551	557
Royal Bank of Scotland plc	8,564	8,773
Barclays Bank plc	4,000	3,000
	<u>13,115</u>	<u>12,330</u>

The Orchardbrook Limited loan is repayable by 2032 at a fixed rate of interest of 11.47% secured by specific charges on various Papworth Trust's housing properties and repayable in bi-annual instalments

The Royal Bank of Scotland plc loan is part of a £10million facility secured by way of fixed charges on certain properties owned by Papworth Trust. Repayment details are as follows:

<b>Interest Rate</b>	<b>End of fixed rate period</b>	<b>£'000</b>
Fixed 6.98%	November 2024	376
Fixed 7.10%	September 2024	1,083
Fixed 5.64%	March 2019	1,048
Fixed 6.01%	July 2014	737
Fixed 4.5276%	July 2026	400
Fixed 6.04%	August 2013	1,100
Fixed 5.03%	September 2021	945
Fixed 4.24	February 2027	1,000
Fixed 6.01%	August 2013	975
Fixed 3.51%	March 2027	900
		<u>8,564</u>

## Papworth Trust

### Report and Accounts for the year ended 31 March 2013

#### Notes to the Financial Statements

The Barclays Bank plc loan is part of a £5 million facility and is secured by way of fixed charges over certain properties owned by Papworth Trust. Details are as follows:

#### Papworth Trust

Interest Rate	End of fixed rate period	£'000
Fixed 4.29%	April 2018	1,000
Fixed 3.38%	July 2038	1,000
Fixed 3.38%	July 2038	1,000
Fixed 3.38%	July 2038	1,000
		<u>4,000</u>

The Job Centre Plus grant is repayable if all conditions of the advance are not met, notably if the buildings that the grant relates to are sold or if there is a change in their use. There is no timescale after which these conditions expire and therefore amounts received are considered to be an interest free loan repayable in more than one year.

#### 13. FINANCIAL COMMITMENTS

The annual amounts payable in respect of non-cancellable operating leases are shown below, analysed according to the expiry date of the lease.

	2013 £'000	2012 £'000
<b>Land and Buildings</b>		
Expiry date:		
Within one year	75	17
Between one and two years	68	206
Between two and five years	162	26
After five years	<u>101</u>	<u>39</u>
<b>Other</b>		
Expiry date:		
Within one year	1	66
Between one and two years	-	2
Between two and five years	<u>45</u>	<u>5</u>

#### 14. PROVISIONS FOR LIABILITIES AND CHARGES

	2013 £'000	2012 £'000
At 1 April 2012	303	355
Provision in the year	-	275
Utilised in the year	<u>(288)</u>	<u>(327)</u>
At 31 March 2013	<u>15</u>	<u>303</u>

As at 1 April 2012 provisions had been made for expected future losses from employment contracts which had been terminated. These contracts ended before 31 March 2013 and the provisions have therefore been utilised in the year.

**Papworth Trust**  
**Report and Accounts for the year ended 31 March 2013**

**Notes to the Financial Statements**

**15. RESERVES**

<b>Reserves movements</b>	<b>Designated Reserves £'000</b>	<b>Restricted Reserves £'000</b>	<b>Revenue Reserves £'000</b>	<b>Total £'000</b>
At 1 April 2012	12,428	4,189	7,631	24,248
Incoming resources	688	405	19,782	20,875
Resources expended	-	(404)	(20,106)	(20,510)
Transfer between reserves	1,384	-	(1,384)	-
At 31 March 2013	<u>14,500</u>	<u>4,190</u>	<u>5,923</u>	<u>24,613</u>

<b>Designated Reserves</b>	<b>Disability Services Fund £'000</b>	<b>Property Fund £'000</b>	<b>Total £'000</b>
At 1 April 2012	690	11,738	12,428
Incoming resources	688	-	688
Resources expended	-	-	-
Transfers	(224)	1,608	1,384
At 31 March 2013	<u>1,154</u>	<u>13,346</u>	<u>14,500</u>

**The Disability Services Fund**

Established by the Trustees to provide a range of services for disabled people that cannot be funded by other means. The fund is credited with the income earned on the underlying investments and makes contributions to enable Papworth Trust to implement and carry on the programmes for disabled people established in the corporate plan.

**The Property Fund**

This has been established to ensure that Papworth Trust has sufficient funds set aside to replace the fixed assets used in its business on a like for like basis when they reach the end of their useful economic lives. The fund represents Papworth Trust's funds that are invested in tangible fixed assets, net of grants, loans and donations received specifically to finance such assets.

**Papworth Trust**  
**Report and Accounts for the year ended 31 March 2013**

**Notes to the Financial Statements**

<b>Restricted Reserves</b>	<b>1 April 2012 £'000</b>	<b>Incoming Resources £'000</b>	<b>Resources Expended £'000</b>	<b>Transfer</b>	<b>31 March 2013 £'000</b>
<b>Restricted Endowment Funds</b>	203	10	(2)	-	211
<b>Restricted Capital Funds</b>					
Macfarlane Grieve House	265	-	(26)	-	239
West Suffolk DRC fund	113	-	(17)	-	96
Supported housing fund	821	85	(22)	(4)	880
Progression centres	435	-	(11)	-	424
Foundations for living	1,631	-	(70)	-	1,561
Ipswich and East Suffolk	219	-	(12)	-	207
Rehabilitation	213	-	(36)	-	177
Other	54	2	-	(35)	21
	<u>3,751</u>	<u>87</u>	<u>(194)</u>	<u>(39)</u>	<u>3,605</u>
<b>Restricted income funds</b>					
Rehabilitation	13	-	-	-	13
Young People's services	83	15	(9)	-	89
HIA funds	66	2	(35)	34	67
Big Lottery Fund	-	133	(51)	-	82
My Leisure	48	2	(13)	(34)	3
Other restricted income funds	25	156	(100)	39	120
	<u>235</u>	<u>308</u>	<u>(208)</u>	<u>39</u>	<u>374</u>
<b>Total Restricted Funds</b>	<u>4,189</u>	<u>405</u>	<u>(404)</u>	<u>-</u>	<u>4,190</u>
<b>Revenue Reserves</b>					
		<b>Contingency Fund £'000</b>	<b>General Fund £'000</b>	<b>Total £'000</b>	
At 1 April 2012		7,631	-	7,631	
Incoming Resources		-	19,784	19,784	
Resources expended		-	(20,108)	(20,108)	
Transfers		(1,708)	324	(1,384)	
At 31 March 2013		<u>5,923</u>	<u>-</u>	<u>5,923</u>	

**Notes to the Financial Statements**

**16. CONTINGENT LIABILITIES**

Social Housing Grants on properties may be refundable if the properties for which they were received are sold. There are no plans to dispose of any of these properties and hence no provision is considered necessary by the Trustees.

**17. PENSION COMMITMENTS**

Papworth Trust operates both a defined benefit and a defined contribution pension scheme for its employees. Papworth Trust also contributes to The NHS Pension Fund for former NHS staff that transferred to Papworth Trust's employment under TUPE and to several local authority and other schemes. The assets of Papworth Trust's schemes are held separately from those of Papworth Trust in independently administered funds. The unpaid contributions outstanding at the year end, included in "other creditors" (note 11) are £64,643 (2012: £64,000). Contributions to the group personal pension scheme in the year were £38,147 (2012: £22,713), to the NHS Pension fund £30,144 (2012 £86,913), to the defined benefit scheme, £202,900 (2012: £250,929) and to other schemes £27,142 (2012 £27,059).

***Defined benefit scheme***

1. Papworth Trust participates in the Social Housing Pension Scheme (the Scheme). The Scheme is funded and is contracted-out of the State Pension scheme.
2. It is not possible in the normal course of events to identify on a consistent and reasonable basis the share of underlying assets and liabilities belonging to individual participating employers. This is because the Scheme is a multi-employer scheme where the Scheme assets are co-mingled for investment purposes, and benefits are paid from total Scheme assets. Accordingly, due to the nature of the Scheme, the accounting charge for the period under FRS17 represents the employer contribution payable.
3. The Trustee of the Scheme commissions an actuarial valuation of the Scheme every three years. The main purpose of the valuation is to determine the financial position of the Scheme in order to address the level of future contributions required so that the Scheme can meet its pension obligations as they fall due.
4. The last formal valuation of the Scheme was performed as at 30 September 2011 by a professionally qualified Actuary using the Projected Unit Method. The market value of the Scheme's assets at the valuation date was £2,062 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £1,035 million, equivalent to a past service funding level of 67.0%.
5. The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2012. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The market value of the Scheme's assets at the date of the Actuarial Report was £2,327 million. The Actuarial Report revealed a shortfall of assets compared with the value of liabilities of £1,241 million, equivalent to a past service funding level of 65%.

## **Papworth Trust**

### **Report and Accounts for the year ended 31 March 2013**

#### **18. RELATED PARTIES**

During the year the Trust purchased service in the normal course of business from The Varrier-Jones Foundation, an organisation with common trustees, for £139,800 (2012: £158,700) The Trust made sales to the Varrier-Jones Foundation of £104,800 (2012: £98,700).

At the balance sheet date the amount due from the Varrier-Jones Foundation was £Nil (2012: £Nil). At the balance sheet date the amount due to The Varrier-Jones Foundation was £Nil (2012: £Nil).

The Varrier-Jones Foundation is committed to providing funding for Papworth Trust on an on-going basis. In the year ended 31 March 2013 The Varrier-Jones Foundation contributed £1,150,000 (2012: £1,105,000).

The Varrier-Jones Foundation has agreed to formally underwrite specific future losses of up to £4.2 million incurred by Papworth Trust in relation to a certain employment contract should they arise. Currently there are not expected to be any losses under this contract.

Details of transactions with trustees are disclosed in note 19.

#### **19. TRUSTEES' EMOLUMENTS**

Members of the Board of Trustees received no remuneration during the year (2012: £Nil). Amounts paid to Trustees in reimbursement of travelling expenses were £2,927 (2012: £2,567).

#### **20. CAPITAL COMMITMENTS**

Amounts contracted but not provided in the accounts amounted to £1,746,000 with grants of £Nil receivable against them (2012: respectively £106,335 and £Nil). Amounts authorised by the Trustees but not contracted for were £Nil with grants of £Nil receivable against them (2012: respectively £655,000 and £Nil).

#### **21. TRUST STATUS**

Papworth Trust is a registered charity, a company limited by guarantee and is also registered with the Homes & Communities Agency as a private registered provider. The liability of each member is limited to £1. Papworth Trust is governed by a Memorandum and Articles of Association, copies of which are available on request.

## Papworth Trust

Report and Accounts for the year ended 31 March 2013

### PRINCIPAL ADVISERS AND GENERAL TRUST INFORMATION

#### PATRON

Her Royal Highness The Duchess of Gloucester, GCVO

#### VICE-PRESIDENTS

Mr A M Barnes	Mr A Bridgewater	Mr N H M Chancellor
Mr A H Duberley CBE	Mr A Dasgupta MBE	Lady S Marshall
Mrs M E Thomas CBE	Mr G R W Wright	

#### CHAIR OF TRUSTEES

Mr R Hammond • ◻ \*

#### VICE-CHAIR OF TRUSTEES

Ms D Sorkin ◻ ☆

#### HON. TREASURER

Mr R Norton • ☆

#### OTHER TRUSTEES

Mr P Agar ~  
Mr A Dixon ~  
Mrs J A Millns \* ☆  
Mr R O'Shaughnessy \*  
Mrs J P B G Pearson ◻  
Mr A R Thompson MBE • + ~  
Mr R Upadhyaya ◻  
Mrs J Womack • +

#### TRUSTEE USER REPRESENTATIVES

Paul Johnson  
Martha Grace

#### LEADERSHIP TEAM

Mr A Bagg	Chief Executive Officer
Mr T Coleman	Director of Human Resources
Ms M Davies	Director of Fundraising
Mr D Martin	Director of Strategy and Marketing
Mr A Osborne	Director of Finance and Central Services
Ms H Harris	Acting Director of Operations

The names of honorary personnel and senior management are as at July 2013.

Papworth Trust is a company limited by members' guarantee of £1.00 each.

Vice-Presidents, the Chair, Vice-Chair, Honorary Treasurer and other Trustees (other than the Honorary Secretary) are the members of Papworth Trust.

The register of members is maintained at the registered office.

- Member of the Finance Committee
- ◻ Member of the Independent Living Committee
- \* Member of the Work and Learning Committee
- ☆ Member of the Governance Committee
- ~ Member of the Marketing and Fundraising Committee
- + Member of the Joint Investment Committee

**Papworth Trust**

**Report and Accounts for the year ended 31 March 2013**

**PRINCIPAL ADVISERS AND GENERAL TRUST INFORMATION**

**COMPANY SECRETARY**

Mr A E Osborne

**REGISTERED OFFICE**

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www.papworth.org.uk  
info@papworth.org.uk

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Russell Funds Management  
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London  
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**SOLICITORS**

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Merlin Place  
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**BANKERS**

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Cambridge  
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Royal Bank of Scotland plc  
Housing Finance  
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280 Bishopsgate  
London  
EC2M 4RB

**PENSION MANAGERS/PROVIDERS**

**The Defined Benefit Scheme**

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Verity House  
6 Canal Wharf  
Leeds  
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**Pensions Adviser**

Foster Denovo Employee Benefits  
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An audio version of our Annual Review is available on our website. This Report and Accounts can be provided in other formats and languages on request.

Registered Charity number: 211234

Registered Provider: LH1648

Company Registration number: 148906 England