

The Papworth Trust
Report and Accounts
31 March 2020

The Papworth Trust

Report and Accounts for the year ended 31 March 2020

OUR VISION, MISSION AND VALUES

Our vision

- a world where disabled people are seen for who they are

Our mission

- is for disabled people to have equality, choice and independence

Our values

Our core value is that our customers are at the heart of everything we do

We support our customers to:

- Be in control
- Have a choice
- Be happy
- Have a voice and be heard
- Have opportunities
- Have a home they want and the community services they need

We work with our customers by:

- Being fair
- Working together
- Being honest
- Being responsible for what we do
- Showing respect



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**Registration
Number**

TRUST STATUS:

A registered charity	211234
A company limited by guarantee	148906
A private registered provider	LH1648

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CHAIR'S REVIEW

I am pleased to present the latest accounts for the Trust, which display a strong financial performance for the year whilst continuing to deliver high quality services to our customers across our key operating areas of Housing, Work, Care and Day Services ("Opportunities Without Limits"). The achievements outlined within this report demonstrate the difference we make to the people we work with, and reflect the passion and desire of all of our staff to really focus on achieving positive outcomes for our beneficiaries.

The year has been one of significant change for the Trust, including relocating our organisation's Head Office from its existing office in Papworth Everard to smaller premises at Saxongate in Huntingdon. The key drivers for this move were to lower support costs through more efficient use of premises and also to support a wider move to a more flexible and dynamic way of working that located our services and support functions much closer together. This sale also generated a significant capital receipt which will contribute to our long-term financing requirements.

These accounts are presented against a challenging backdrop nationally and locally, following the impact of the Covid-19 pandemic. I was pleased at how the Trust has adapted its delivery model quickly and effectively to ensure we have been able to maintain our services for disabled people throughout this period of unprecedented national disruption. The efforts made by our staff, supported by our funders, have ensured that we have been able to maintain support for many vulnerable individuals. We recognise that this pandemic has brought, and will continue to bring, significant operational and financial challenges, but we continue to believe that we are well placed to emerge from this stronger, with better delivery models that continue to support our customers.

We are actively planning ahead for our next steps, reviewing our business plan and strategy and considering the future landscape, along with the risks and opportunities that this presents. This may lead to some adjustment to our business plan, but we are confident that the core of our ambition still holds true, and that we will retain the capacity to deliver at both pace and scale.

I would like to thank all the staff and volunteers of the Trust for their efforts over the year, and in particular in dealing with the impact of the recent pandemic. Their commitment and dedication to our customers during this difficult period has been truly inspiring. I would also like to record the Trust's continuing appreciation of the substantial annual donation received from the Varrier-Jones Foundation.

Finally, I would like to thank both our continuing Trustees, and a number of Trustees who have left our Board following completion of their full term of office. All of these individuals have made a significant contribution to the work of the Trust, for which I express my appreciation, and their contributions will be missed. I have also been pleased to recruit a number of new Trustees to augment our skill set.

Brian Stewart OBE – Chair of Trustees

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TRUSTEES' REPORT

The Trustees present the Trustees' Report and audited Financial Statements for the year ended 31 March 2020.

Achievements and performance

We are pleased to report on a successful year where we have continued to deliver really positive outcomes for our beneficiaries whilst stabilising the financial position of the Trust, recognising that we ended the year in a time of particular uncertainty. We have considered the immediate impact of the effects of Covid-19 on the business below, and have incorporated these considerations into our assessment of the business risks and future plans, and the evaluation of the going concern considerations for the Trust.

We have consolidated our activity to focus on elements that we believe have the greatest impact on the lives of disabled people. We currently support approximately 2,000 people across our geographical focus of the East of England, through our four core operational areas; Housing, Work, Care and Opportunities Without Limits. In 2019-20, Papworth Trust had a turnover of £12.6m (2018-19: £13.0m) and employed 187 staff (2018-19: 218).

The Trust has undergone significant change in recent years in order to ensure the ongoing sustainability of our operational services. We are pleased that the 2019-20 financial period reflects a year of relative stability with our ongoing focus on four core service delivery streams. We are pleased that these accounts report a much improved operating surplus in the year, which reflects the continued financial improvement we have been able to achieve whilst still making a significant difference to disabled people. Key successes to note in the period are;

- **Development of specialist housing for disabled people**

We are pleased to be able to bring three supported living units into our portfolio in the year, efficiently utilising surplus space within our existing portfolio, and securing support from a number of partners to bring these assets into use. This is reflective of the creativity that we have seen in maximising the use of our resources for the benefit of disabled people, as well as demonstrating the great impact of collaborative working, and we will continue to explore ways of expanding our offering.

- **Delivery of the Work and Health Programme contract**

The Trust began delivery of this Department for Work and Pensions (DWP) funded programme in February 2018 with the last financial year being our first year of full programme delivery. This programme provides a real focus on those individuals whose health conditions may be an inhibitor to securing

meaningful employment, which identifies well with our targeted customer groups. We are delighted to build on our initial success and have worked with approximately 530 people on this programme in the year and supported 205 customers into employment. We have achieved above average performance in the contract area on our outcomes, demonstrating the quality of our in-work support leading to the sustainability of job roles for our customers.

- **Building Better Opportunities**

In April 2019 we received an extension to deliver our National Lottery Community Fund programmes in Cambridge and Essex until 2022, which has allowed us to continue to support those most in need. We have supported 215 customers across both projects in the year, exceeding our performance outcome targets.

- **Continuation and expansion of First Steps to Success**

Our bespoke employment support offer for people with learning disabilities and autism continues to develop, following a very successful pilot stage. Our twelve-month pilot proved the need for this specialist service, which provides a resource that is not currently accessible through social care or DWP funded provisions. We are delighted that our corporate partners and funders recognise the value of this programme and that we have secured funding to develop the programme further in Suffolk and Cambridgeshire.

- **Relaunch of our 'Opportunities Without Limits'**

We have modernised our 'day services' so that they have a greater emphasis on community integration and progression. We have reduced our reliance on buildings-based activities, seeking to develop more community-based services so that we can work in partnership with others to ensure that our customers are supported to engage with a wider variety of local activities. As part of this initiative, we have re-branded these services 'Opportunities Without Limits', building on the great work and positive reputation that we enjoy across our range of services.

- **Relocation of our Head office**

In November the Trust left its operational head office in Papworth Everard and relocated to another site already occupied by the Trust in Huntingdon. This has enabled the Trust to reduce its ongoing cost base and provided a net receipt of over £900k from the sale of The Bernard Sunley Centre.

- **Development of new ways of working**

As part of our head office relocation we have been moving towards different ways of working to be less office focussed and more agile in our approach. This move has seen staff working throughout our regional offices and from home in order to best support our customers.

Impact of Covid-19 Pandemic

The impact of the Covid-19 pandemic has been, and continues to be, significant for the Trust, affecting all areas of our business. We are pleased to report, however, that during a period of significant national uncertainty, we have been able to respond quickly and effectively through reorienting our services and support functions to a home based and virtual model. We have assessed the financial and operational impact, both in immediate response to the government's lockdown measures and on our plans for the year more generally, and have taken steps to protect the Trust and our beneficiaries from the most adverse impact. In particular we note the following:

- **Continuation of our social care delivery**

Our Care services involves providing care to a small cohort of high need individuals. Throughout the pandemic, due to the outstanding efforts and commitment of our care staff we have been able to maintain full support to all of our customers, ensuring that our customers continue to receive the vital support we provide.

- **Virtual Day Centres**

Towards the end of March the Trust took a decision to cease running all centre based activities. However, we have been able to continue to support our customers through ensuring regular support calls, and online based activity sessions, as well as providing all customers with activity packs to support them to continue to participate in service activities within their own homes. We are working closely with commissioning bodies to ensure the appropriate support is given to all customers who need it during this time.

- **Development of our employment programme**

It is recognised that the current pandemic creates challenges within the employment market that will be evident for the foreseeable future. We are currently working closely with contracting partners to agree future contract structures to ensure we are able to meet the needs of our customers moving forward. We have agreed a revised contract model in our delivery of the Work and Health Programme in anticipation of potential greater demand, and greater challenges in this area.

- **Development of new ways of working**

As part of our earlier head office relocation, we have transitioned towards different ways of working, aiming to be less office focussed and more flexible in our approach. This move has seen staff working across our offices and from home in order to best support our customers. This change has enabled us to ensure all our support functions can continue to operate effectively and safely during this time.

Reserves Policy

The Trust seeks to retain adequate reserves within the operation to ensure our financial resilience and sustainability, taking into account the obligations that we have, the future plans that we have made and the risks to delivery that we have identified in our risk register. The reserves policy sets out the target general reserves level and identifies measures to be taken to bring these reserves back within the target range. It also sets out any designated reserves held and the purpose for holding these. The management of funds to ensure sufficient liquidity and protection of funds to meet our obligations, both those recognised on the balance sheet and elements provided for under our reserves policy, is a separate consideration dealt with under our investment and treasury management processes.

Restricted Reserves

The Trust from time to time receives grants or donations that might be specifically designated by the donor for a particular purpose, either in response to an appeal that we have made, or more generally by the donor's relationship with the Trust. The value of restricted reserves held as at the balance sheet date was £2,681k

Where the Trust chooses to accept such grants or donations, it will do so on the full understanding of the terms and conditions that pertain to the grant or donation, and will put steps in place to ensure that these donations are only expended as prescribed in the terms, and that any further obligations placed upon the Trust by the acceptance of such grants or donations are adhered to. Such grants and donations are separately tracked and monitored and do not form part of the general reserves at the disposal of the Trust.

Designated Reserves

The Trustees also use their powers to designate certain reserves for specific purposes in order to ensure that known future commitments can be met, or to recognise that certain assets cannot be freely deployed to meet particular objectives of the Trust without significant disruption to the Trust's business.

To this end the Trustees have resolved to exclude from general reserves the value of fixed assets held, net of the long-term liabilities held against these. These assets do not represent 'free' reserves as they are required to be maintained in order that we can continue to deliver the services to our customers to deliver our aims, therefore the Trustees have designated an amount of reserves that reflect this carrying value on the Balance Sheet. The value of designated reserves held as at the balance sheet date was £13,531k.

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Endowment Funds

The Trust holds a small number of endowment funds established over time to support particular groups of beneficiaries. We seek to utilise these funds to support these beneficiaries to the extent that we are able, in line with our general objects. The value of the endowment funds held as at the balance sheet date was £399k.

General Reserves

General reserves represent the free reserves that the Trustees have at their disposal to effectively meet the objectives of the Trust. These reserves are held to seek to ensure the financial resilience and sustainability of the Trust, helping to manage risk and volatility and insulating the organisation against the impact of future financial shocks.

The Trust has sought to evaluate the material risks and uncertainties facing the business, and the kind of financial provision that may need to be reserved to manage these risks, should they occur. We have considered activity as identified in our three-year business plan to represent an appropriate time horizon for the assessment of the level of reserves required.

It is also recognised that there is a level of general volatility in operations, and any plans to materially change provision, to exit any activity, or to manage the transition of programmes to differing funding mechanisms, inevitably takes time and involves cost, so it is prudent for the Trust to preserve funds for such eventualities also.

The Trustees have evaluated the principal financial risks facing the charity and have summarised these in the tables below;

General Reserves assessment

Category	Description of Risk	Estimated Financial Exposure
1. Potential Future Obligations	Social Housing Pension Liability – see separate section below	
	Capital Investments – own funds required to be reserved to complete projects	None at present – funding plans in place to meet requirements
2. Operational challenges	Care service delivery. Challenging operating model, risk to achieving recovery plan	£150k

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Category	Description of Risk	Estimated Financial Exposure
	Stress-testing and sensitivity of budget projections – including Covid-19 impact	£250k to £600k
	Reduction in voluntary funding. Reserve needed to manage any transition to reduced funding environment	£450k to £650k
3. Transitional arrangements	None anticipated at present	
4. Funding planned service shortfalls	None that are not included in budget	
5. Asset valuation risk	Impairment risk of fixed assets. Realisable value may be less than in-use value for specialist assets	£250k
	Repayment of social housing grants, should these not be recycled effectively	Only if disposal is planned
	Downgrade in valuation of Investment portfolio	£800k to £2m

Social Housing Pension Scheme Liability assessment

Category	Title	Estimated Financial Exposure
1. Potential Future Obligations	Social Housing Pension Liability Historically, there has been significant volatility and a minimum cash liability has been identified. There is also the likelihood of future actuarial assumption changes	£1m - £2m

From this assessment the Trustees have concluded that they need to hold general reserves in the target range of £1.9m to £3.5m, with a further £2m held against the SHPS liability, giving a total range of £3.9m to £5.5m. It should be noted that these projections do not represent a 'worst-case scenario', but reflect a range of reasonably possible outcomes. Current general reserves stand at £6.2m, as at 31st March 2020, and therefore these reserves do slightly exceed the target level established by the Trustees to ensure the long-term sustainability of service delivery. Future operational plans are in place to utilise any surplus reserves through future repayment of long term borrowing and it is anticipated

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that these reserves will be within the target level by the conclusion of the Business Plan period, in 2022/23. We also recognise the significant volatility of the Trust's pension liability and recognise the potential impact the triennial actuarial revaluation, due in September 2020, may have on general reserves.

Investment Policy

The Trust seeks to produce the best risk adjusted financial returns from its financial investments. The investment objective is to maintain the real value of the assets over the long term, whilst also producing an income stream that can support the regular operations of the Trust. Investments are managed with full discretion by the Trust's investment advisers in accordance with the Statement of Investment Policy agreed with the Board. This is monitored and managed by the Joint Investment Committee, made up jointly of the Trustees of Papworth Trust and the Varrier-Jones Foundation. The Trustees of the Trust set the objectives, restrictions, investment mandate and any exclusions and, via the Joint Investment Committee, monitors the performance of the investment advisers through formal review meetings. Part of this strategy seeks to diversify adequately to minimise concentration risk and to hedge currencies appropriately.

Investment scope

Subject to the Environmental, Social and Governance (ESG) limitations that are set, the Trust delegates authority to the appointed fund managers to invest its funds appropriately to meet the targeted financial return and liquidity requirements agreed from time to time.

Attitude to Risk

The Trust seeks primarily to ensure that the real value of its investment funds is at least maintained, to support the reserves policy articulated above, whilst also providing a valuable unrestricted income stream to support operations. The key risk to the long-term sustainability of these funds is inflation, and the assets should be invested to mitigate this risk over the long term. The Trustees understand that this is likely to mean that the financial investments will be concentrated in real assets and that the capital value will fluctuate. The Trustees are able to tolerate short-term volatility of the capital value of the Trust's financial investment portfolio, as long as the Trust is able to preserve the underlying value in the long term.

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Structure, governance and management

As a Charity, Papworth Trust is governed by its Members, who are also its Trustees. Trustees can serve up to three terms of office of up to three years each; the arrangements for the election or appointment of Trustees are detailed in the Articles of Association.

The Trustees, who are also the Directors of the company under company law, meet quarterly to review the management of the organisation. Day-to-day management is delegated to the Chief Executive and Executive 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 is structured to ensure they receive a comprehensive introduction to their role and to the organisation. It consists of visiting our services and meeting our customers and staff, understanding the functions of the Trust through 1:1 meetings with senior managers and reading core relevant information, guidance and legislation. Trustees also undertake mandatory training, whilst also having the opportunity to participate in a range of good practice training relating to governance, Charity Commission requirements and operational delivery. Trustees are also supported by access to a dedicated section of our intranet site, keeping them updated on matters arising within the charity, as well as within the sector and our operating landscape more widely.

Trustees do not receive a salary, but may claim expenses for actual costs incurred in attending meetings.

Trustees and Executive Team members are asked to complete an annual Disclosure Statement to notify Papworth Trust of any involvement in any other organisations, and these returns have been completed during the course of the financial year.

Trustees Liabilities

The Trust indemnifies the Trustees of the 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.

Committees

Committees take a more detailed interest in specific areas of the Trust's activities and monitor performance against key performance indicators. The committee structure now in operation, with key responsibilities identified, is as follows:

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Finance and Audit Committee

The Finance and Audit Committee is responsible for reviewing the financial performance of the Trust and reporting this to the Board, as well as overseeing the control of risk implemented on behalf of the Trust. The Committee reviews the Trust's annual accounts and recommends them to the Board for approval, receiving audit reports and reviewing the Trust's annual statement on internal controls and its compliance with current guidance. The Committee holds responsibility for the oversight of treasury management, the financial appraisal of new projects and prevention and detection of fraud. This Committee was also responsible for the selection and appointment of our new auditors, RSM UK Audit LLP, this year, following a competitive tender process.

Governance & Compliance Committee

The Governance and Compliance Committee oversees all matters of performance, quality and compliance of the Trust's operations, and ensures the effective ongoing governance of Papworth Trust.

The key responsibilities of this Committee are to review performance in line with service standards and statutory, regulatory and contractual compliance, to ensure effective oversight of safeguarding and health and safety is maintained and also to ensure that we have an appropriate policy framework to govern the work of the Trust.

Strategy and Change Committee

The Strategy and Change Committee is responsible for discussing and reviewing strategy and recommending changes for the continuous improvement of services offered by the Trust. Significant changes to markets, services, re-alignment of strategy or significant new ventures and major projects are all considered by this Committee. This Committee also reviews fundraising strategy and the scope and scale of our influencing activities, as part of the consideration of our wider strategic positioning.

Remuneration Committee

The Committee has delegated authority from the Board to approve the overall annual pay award and general reward policy for staff and to determine the remuneration of the Chief Executive and Executive Team. It also has oversight of salaries of any other staff in receipt of salaries over the Statement of Recommended Practice (the SORP) reporting threshold (currently £60,000 pa).

Joint Investment Committee

The Joint Investment Committee oversees the management of financial market investments to assist in meeting the current and future financial needs of the

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Papworth Trust and The Varrier-Jones Foundation. It considers investment mandates, policies and objectives, and meets with the Investment Managers on a regular basis to review performance against benchmarks, and to consider the wider economic outlook.

Health and Safety

The Board recognises its responsibilities on all matters relating to health, safety and security, for both staff and customers. We maintain scrutiny through best practice groups, as well as formal reporting mechanisms to management and to the Board of any health and safety issues or concerns. We will continue the monitoring of safeguarding via the Governance and Compliance Committee, and utilise the Safeguarding Best Practice Group to capture learning and feedback from our own experience, and the experience of others, to improve process and practice.

Disabled Employees

We have a Diversity and Equality policy regarding the employment of staff, including disabled employees, and give full consideration to applications for employment from disabled people.

Currently 30% of Papworth Trust's employees have a declared disability.

As a Trust we are very pleased to be accredited as a Disability Confident Leader, which will encourage us to continue to champion good practice and actively encourage all organisations within our supply chain and wider networks to employ, support and promote disabled people.

Employee Involvement

We are committed to providing our employees with information about our activities, consulting with them on major changes and developing an open culture in the organisation. Regular meetings are held between managers and staff teams to allow a free flow of information, including a monthly briefing from the Chief Executive Officer (CEO) to the organisation on strategy and organisational developments. We also hold annual 'Trust on Tour' sessions which provide an open forum for all staff to meet and share ideas and feedback with senior management and Trustees. In response to the changes in working practices brought about by the recent pandemic, we have increased the frequency of Chief Executive briefings to weekly, and introduced a number of other mechanisms to ensure staff keep in touch and remain informed.

We also operate an employee forum where representatives from departments are able to support the management team in decision making and share feedback to the Executive Team.

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Gender Pay Gap

The Trust has further reduced its Gender Pay Gap from the previous year and is now showing a negative Median pay gap of 3.2% (2018 – 5.0%) and a small Mean pay gap of 0.5% (2018 – 11.0%). We recognise that it is important to continue to monitor gender pay and to actively address any issues that emerge strategically within our People Plan. We will continue to take active steps to monitor and reduce any gaps and will continue to operate impartial pay review and job evaluation mechanisms.

The key factor which has influenced the reduction in the Gender Pay Gap has been an increase to rates of pay and enhancements for employees in our Care Services, which are typically paid in the lowest quartile, and who are predominantly female.

We continue to employ a greater number of female employees than male employees in all quartiles, and will continue to strive to ensure equal opportunity, and ensure we maintain equal pay and conditions, for staff across the Trust.

Customer Involvement

It is very important to us that our customers are involved and influence how we develop, design and run services. The Trust has local customer groups covering our centres and services that inform us of key points of issue or concern. We have also recently signed up with the National Housing Federation as an early adopter of the Together with Tenants plan, aimed at making clear commitments for Housing Associations to be accountable and responsive to their tenants. Enhancing engagement is one of the key strands of our current Business Plan, and we are actively developing a comprehensive engagement strategy to improve the communications and feedback across the Trust.

Fundraising

The Trust is registered with the Fundraising Regulator and adheres to the guidelines of the Fundraising Code of Practice. Processes are in place to ensure that donations are utilised for the purposes for which they were given and towards the charitable objectives of the Trust. Donors and potential donors have opted in to receiving contact by the Trust and personal details are kept in accordance with GDPR regulation.

Two small volunteer fundraising groups act on behalf of the Trust; their activity is monitored by a steering group, which includes Papworth Trust staff and there are transparent processes in place to ensure that all donations are received by the Trust, that information relating to the Trust is accurate and that donors are not misled. In the 2019/20 financial year the Trust did not receive any complaints relating to fundraising practice.

Value for money (VfM) - Housing

Papworth Trust's mission is to support disabled people to have equality, choice and independence, as a Registered Provider we provide safe, enabling accessible homes for our tenants. We have a portfolio of supported housing located across the East of England, in addition to our base of general needs properties located in Cambridgeshire. Papworth Trust continues to focus on delivering a quality service to our customers in the most efficient and effective way, working to improve levels of satisfaction whilst generating surpluses to assist in both the funding of additional services to our customers and provide improvements to our existing housing stock.

Achievements in 2019-20

- **Head office sale and office relocation**

We successfully relocated our housing team to new office premises in the village of Papworth Everard in the year and subsequently sold the Trust's former Head Office. This has enabled the organisation to lower its overall overhead costs whilst ensuring the housing team remain present in the heart of the village to support our tenants.

- **Development of three new units for disabled people**

We have added a further three properties to our existing portfolio, at minimal cost through using predominantly external fundraising. These units were developed from surplus space in existing premises such as unutilised communal areas. All three units have been in shared supported accommodation which has indirectly improved affordability to existing residents through the reduction of service charges.

- **Invest in improving the standard of our stock**

We are currently undertaking a significant investment programme in our stock to provide upgrades for essential components including kitchens, bathrooms and boilers. We are pleased to report that in the year we were able to complete 80 boiler upgrades, 32 kitchens and 18 bathrooms as well as installing gas connections into 25 units in Papworth Everard, enabling these homes to move away from oil heating systems.

In presenting the value for money metrics for 2019-20 we have elected to use benchmark comparisons with a national small provider benchmarking group, comprising 140 social housing providers of less than 1,000 units. It should be noted, however, that whilst it is possible to find comparative organisations in terms of stock count, it is more challenging to benchmark against organisations with similar operational models. Therefore comparisons with specialist providers are also used where appropriate as separate indicators of performance for both our supported and general needs services.

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Value for Money Metrics

	2019/20	2018/19	SPBM median
Reinvestment	1.1%	0.3%	2.7%
New supply delivered	0.5%	0.0%	0.0%
Gearing	22.6%	24.6%	16.4%
Interest cover	271%	245%	231%
Social Housing cost per unit	£5,700	£5,607	£4,488
Operating margin (social housing)	13.1%	14.3%	21.8%
Return on capital employed	1.4%	1.5%	2.7%

Reinvestment

Our reinvestment percentage has increased by 0.8% from 2018-19 to 2019-20. This represents a significant uplift in investment on last year, with a key focus on maintaining and improving our existing stock to provide better quality and more cost-effective homes for our customers. Although this is less than the comparative median, we have planned significant funding this coming year to existing stock. In addition, we also are planning to complete a significant refurbishment to return a disused supported housing site back into management.

New Supply Delivered

As our focus for reinvestment continues to be on improving existing stock, we have sought to explore other options for increasing supply. This has involved identifying underutilised space within some of our supported stock such as redundant ancillary care accommodation or communal rooms that are no longer used by customers. We are therefore pleased to report an increase in supply in the year against a background of minimal investment in new stock.

Gearing

Gearing has decreased by 2% as a consequence of a concerted strategy to reduce overall debt levels across the organisation. Whilst the gearing ratio remains slightly above the comparative sector median, it is considered appropriate and in line with the parameters of existing loan covenants. Planned loan repayments in future years mean our business plan anticipates gearing continuing to reduce.

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Interest cover

The Trust continues to perform highly, achieving an interest cover of 271% against a sector median of 231%. The increase against 2018-19 represents a reduction in overall debt levels. It is also reflective of a strategic objective to reduce reactive repairs and maintenance through strategic capital investment in our stock meaning that depreciation costs have increased whilst trying to ensure day to day repairs work are minimised.

Headline Social Housing Cost per Unit

	2019/20	2018/19	SPBM
Supported housing	£6,435	£6,440	£10,700
General needs housing	£3,613	£3,254	£3,880

This metric assesses the social housing cost per unit. Our overall social housing cost per unit has increased marginally from 2018-19 and remains significantly higher than the overall sector average. The RSH's regression analysis of provider costs indicates that organisations that hold significant levels of supported housing are likely to experience proportionately higher costs. We have identified that inflated costs from maintenance and replacement of specialist adaptations and equipment, alongside increased service charge costs, both act to increase our unit cost per property. In recognising and acknowledging our higher unit cost, we are also firmly committed to enhancing the value to our customers of living in a home suitably adapted to meet their needs with quality services to maximise their independence.

It should also be recognised that due to the increased prevalence of service charges and dispersed locations within our supported stock, external cost drivers, such as fuel costs and the national living wage, have also had a disproportionate impact on the supported housing cost per unit. Following a service charge consultation in 2018-19 which consolidated service specifications, we are now utilising procurement frameworks where possible to ensure additional services represent better value for money.

To further interrogate the unit costs, it is sensible to split out our general needs and supported housing and benchmark against similar providers for each tenure type. This indicates our general needs model is operating at a median level. Supported housing is significantly less than the median, though this is expected due to the range of supported housing in our portfolio from minimal support through to specialised supported housing. Regression analysis identifies that significant variation can exist between supported costs due to differences in client group and service level.

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Operating Margin

Overall operating margin is reduced by 1.2% largely due to additional depreciation as a result of significant capital investment in existing stock. Other costs have remained relatively static and below inflation. As with the social housing cost per unit metric, it is appropriate to split out the operating margin of our supported and general needs housing to understand the current operating efficiency and business health.

The additional costs associated with providing and delivering supported housing alongside greater proportions of income via service charges (at cost only) reduce the overall margin of this tenure. It still remains above the comparative median at 9.7%. General needs show a healthy above median operating margin.

The Trust has also amended its methodology for provision against former tenant arrears in the period which has resulted in additional costs for the year of £35,000 to ensure a more conservative approach is taken within these financial statements.

Return on Capital Employed (ROCE)

The return on capital employed has remained stable in 2019-20, with operating margins being consistent against the previous year, and with a relatively unchanged underlying asset valuation.

Plans for the Future

- **Housing Development**

We plan to bring approximately ten new units into use as supported living units, subject to obtaining the necessary consents. This is the development of an existing site which is no longer fit for purpose and will be redeveloped from a shared living arrangement to a number of self-contained units.

- **Customer Engagement**

We recognise the importance of actively engaging with our customers. We plan to recruit a tenant engagement officer to actively support our tenants and manage better quality tenant engagement and communications.

- **Asset management review**

We plan to undertake an external asset management review to better understand and evaluate our asset profile and to ensure the Trust is taking long term decisions over the future of assets that best support our tenants.

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Going Concern

The Board has assessed Papworth Trust's current financial position and resources, future obligations and risks, together with a review of the Trust's forward business plan. The Board and Management Team have also reviewed the expected financial impact of the ongoing pandemic and believe that the Trust is well positioned to mitigate much of the financial impact and to continue to operate for the foreseeable future. We have examined the planned activity in the Business Plan and considered the activity areas that are likely to be most severely affected by the outbreak of Covid-19, and the subsequent actions that followed. We took immediate steps to protect the business, our customers and staff, and have subsequently carried out strategic financial analysis to assess the impact on income, expenditure and cash flows. These have been subject to risk and sensitivity analysis in order to stress-test the outcomes and this analysis is regularly reviewed by the Trust's Management Team. Contingencies and mitigations have also been put in place for key critical risks, and reserves held, including funds held within the Trust's investment portfolio, are sufficient to support the needs of the organisation.

The following summarises the key expected impact across our core delivery streams.

Housing

In absolute terms housing revenues are not materially impacted by the pandemic. Housing income equates to 35% of the total budgeted income for the Trust for 2019-20. We recognise that we will need to work proactively with our tenants to ensure timely payment of rents, but are well positioned to do this, and note the significant proportion of tenants who are in receipt of housing benefit, which we expect to be unaffected by the current situation.

We currently have short term challenges in ensuring the delivery of our planned maintenance programme, which will support short term cash flows, but we expect activity on these to be resumed later this year.

Work

We have continued to deliver our contracts in this area, and have been working closely with commissioning bodies to ensure continuity of service delivery. It is recognised that the employment market has changed, and will continue to do so, and therefore in order to ensure we are in a position to respond to this we have agreed a contract variation for the Work and Health Programme to ensure that this service is sustainable. We expect this contract variation to position this programme in a financially neutral position compared to our previous expectations, though volumes may well increase.

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Care

The provision of our Care Services has continued in full throughout the pandemic, and revenues from Care Services have not been adversely impacted. We are however impacted by changes to staffing levels influenced by staff being sick during the pandemic. We have agreed some financial support towards these, and other additional costs, such as the procurement of additional PPE, during this time. We recognise that cost pressures beyond this are a risk that can be reasonably tolerated within the Trust's operating model, if closely managed during this period.

Opportunities Without Limits

We took the difficult decision to close all of our centres at the start of this pandemic, however we have continued to provide ongoing support to our customers in their own homes during this crisis. We have done so in agreement with commissioning authorities in order to maintain service delivery and associated revenues, and we therefore do not expect the overall initial impact of the centres closing to be material.

We recognise the need to evolve our delivery model to better overcome the challenges of social distancing in the medium term and are working hard to develop a model in order to meet our customers' needs and to ensure customer and staff safety is maintained.

Other income streams

The Trust's operating model continues to rely on two key unrestricted income streams, from the Varrier-Jones Foundation and from our investments managed by Sarasin & Partners. We have taken steps to engage with both external parties to ensure a reasonable expectation of continuity of funding and have assurances that both these income streams will continue throughout the next twelve months. There will be some fall away of investment income yields, but we anticipate total unrestricted income to be maintained close to planned levels.

On the basis of this assessment, the Board believes that the Trust is well placed to manage its business risks and to meet all lending covenants for the foreseeable future. It is recognised that the current climate will lead to challenges in operating performance, but that these will be within tolerable limits, for the current risks considered. The Trust has appropriate contingency plans, and holds general reserves, to manage these risks, but we do recognise that any material change to these risks will impact the degree of comfort we can express.

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.

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Auditors

A resolution proposing the re-appointment of RSM UK Audit LLP as auditors will be proposed at the Trustee meeting in October.

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 Trust'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 Trust's auditors are aware of that information.

The report of the Board of Trustees was approved by the Board, and signed on its behalf on 30 July 2020 by:



Brian Stewart OBE

Chair of Trustees

STRATEGIC REPORT

Objectives and public benefit

What we do

We offer essential support and care to disabled people. Our Mission is to help disabled people achieve equality, choice and independence. We help people with all kinds of disabilities, including physical disabilities, learning disabilities, mental ill health and sensory impairments.

We support people to live their lives to the full, and be seen for who they are.

Objects

We are set up for public benefit and for general charitable purposes according to the laws of England and Wales.

We carry out service reviews on a regular basis, to compare the outcomes and achievements of our work to our stated aims and objectives. The reviews look at the successes and challenges of each key activity and the benefits they have brought to those individuals and groups of people. The reviews also help to ensure that our activities remain focused on our stated objectives.

Public Benefit

The Trustees confirm that they have regard to the Charity Commission's general guidance on public benefit whenever we review our Mission, aims and objectives and also when planning future activities, or evaluating existing ones.

We provide a benefit to the public by actively seeking to support disabled people to live their lives to the full, providing housing, care, employment support and day services as appropriate to meet their needs. We actively seek to embed our services in the wider community, recognising the benefits of an inclusive society, where everyone is seen for who they are.

We operate across the East of England and use our resources, as outlined above, to provide essential services and support, engaging with customers, commissioners and other key stakeholders to constantly evolve our offering to maximise the impact that we can achieve with the resources available.

The Papworth Trust
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Financial Review

Full details of our financial performance for the year ended 31 March 2020 are shown in the Statement of Comprehensive Income, Balance Sheet, Cash Flow Statement and Notes to the Accounts.

Turnover and operating surplus for 2019-20, with prior year comparisons, are shown in the table below:

	2020 £000's	2019 £000's
Turnover	12,647	13,027
Operating costs	(11,368)	(12,327)
Operating surplus	<u>1,279</u>	<u>700</u>
Profit/ (Loss) on sale of fixed assets	884	(37)
Exceptional income	263	-
Interest payable	(613)	(669)
Investment (Losses) / gains	(358)	289
Surplus for the year	<u><u>1,455</u></u>	<u><u>283</u></u>

Headline income has fallen by 3%, which is principally attributable to income from employment activities decreasing, as the wind down of the Work Programme was concluded. Other income has remained largely consistent across other service streams. Total operational costs have fallen by 10% over the same period as efficiencies have been achieved and we have strived to make service delivery more sustainable.

Income

- Turnover from social housing lettings increase by 1.3% to £4.4m, representing a small increase in number of units let and a small increase in rent per unit
- Work activities saw income decrease by 23%. This is reflective of the final closure of the DWP Work Programme which has been wound down over the last year and replaced by a much smaller Work and Health Programme, to support eligible individuals into employment
- Care and OWL income has remained consistent in the year with no material changes to the core customer base that the Trust is providing services to

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- The Trust benefitted from a one-off receipt of £267k in the year for some historical rights relating to the land where Papworth Hospital is located

Expenditure

- Expenditure reduced in work activities by 16% following the reduced levels of activity in this area
- Cost reduced in Care by 5%, reflecting improved staff efficiencies and reduced agency costs in our Care provision
- Following an organisational wide review of our corporate functions, the last elements of which were completed in March 2020, significant savings were made against the Trust's overhead cost base through staff rationalisation and through the decommissioning of office space no longer required. This included the Trust's former head office at Papworth Everard, which was exited in November 2019, and disposed of in March 2020. Total savings from these efficiencies were £430k in the year, noting that the previous year did include an element of exit costs in relation to this restructure
- March 2019 was the end point for the Trust's Transformation Programme, which was a three-year programme, originally commissioned in 2016. Year on year savings from the ceasing of this activity totalled £279k

Balance Sheet

- The cash position has improved by £186k, with total cash held of £1.7m at the balance sheet date. This is reflective of positive operational performance, coupled with the receipt from the sale of the Trust's former head office, offset by capital redemptions on loans and pension deficit repayments
- The improved cash position has ensured that the Trust is reporting an improved current liability position at the balance sheet date, although a proportion of current assets comprises two properties designated as assets held for sale, which have yet to be realised. It is recognised that the Trust has significant loan redemptions to make in the current year and continues to repay debt to improve gearing and reduce interest burden
- The Trust actively monitors and manages cash utilisation, and has prepared a long-term forecast to ensure adequate future liquidity. The Trust was ahead of its target for liquid funds at the balance sheet date
- Long term creditors have reduced as grant liabilities in relation to historic Manpower Services Commission permanent loans were discharged as part of the sale of the Trust's former Head Office. In addition, the Trust continues to reduce the overall level of debt held and did not take out any new loan finance in the year

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- The current year financial statements highlight a significant improvement in the level of deficit for the SHPS pension scheme. The significant driver of this is the change in actuarial assumption for inflation which has reduced the future liability. In addition to this all the active members in the SHPS defined benefit scheme in the previous year were transferred to SHPS defined contribution scheme in the current year in order to reduce the future risk to the Trust. The scheme is due for revaluation as of 30 September 2020 and the Trust will be closely monitoring this overall liability to consider the impact on future cash flows.

Treasury Management

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

Treasury Management is managed by the Finance Team and overseen by the Finance and Audit Committee. It is reviewed on a regular basis, setting treasury policy in line with expected future requirements, and reviewing longer term projections to ensure adequate financing is in place to meet future liabilities. Working capital requirements are held as cash, with surplus funds being invested through the Trust's investment managers. Potential drawdowns from investments are considered as part of the Trust's financing plan to support working capital as required.

Loan Covenants

There are several loan covenants in place on the Trust's long-term loans, the key measures being asset cover and interest cover. Breach of covenants could result in loans becoming immediately repayable. Loan covenant tests are monitored monthly and were met for the year ended 31 March 2020.

Plans for future periods

The Trust is focussing efforts on continuing to deliver high quality services to our customers, providing quality, choice and independence for disabled people. As part of our annual strategic review, the Trust set the following strategic principles for the next three years.

- **Deliver Sustainable Growth with Purpose**
- **Efficiently and Effectively provide great services**
- **Lead Meaningful Engagement, Striving for Co-Production**
- **Influence disability policy, rights and opportunities**
- **Value our heritage whilst developing our culture**
- **Engage with others to learn and innovate**
- **Retain and develop a high quality workforce**

In order to achieve our 'deliver' strategy we have set the following key objectives over the period:

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Deliver Sustainable Growth with Purpose

- Reach a sustainable financial position in care so that the Trust can continue to promote dignity and independence for disabled people by growing our core customer base and maximising our delivery efficiencies
- Continue to modernise and grow the existing 'Opportunities Without Limits' services; securing net growth across all centres in order to support more people to reduce isolation, learn new skills and experience new activities
- Service the unmet need of people with learning disabilities for employment support, by rolling out First Steps to Success in Essex and Cambridgeshire

Efficiently and Effectively provide great services

- Deliver a revised quality assurance strategy structured around a self assessment model, aligned to external validation mechanisms required, in order to provide a more pro-active monitoring mechanism for service delivery, without increasing costs
- Reestablish our organisational standards to benchmark service delivery against target levels, building monitoring into the KPI / Performance Management framework
- Develop and deliver a financing strategy that identifies reserves and returns required to underpin planned operational delivery in order to manage the financial risk for the organisation

Lead Meaningful Engagement, Striving for Co-Production

- Roll out our engagement strategy, encompassing customer satisfaction and ensuring customers truly start to influence and shape our strategy and operations
- develop a framework and commence implementation of Customer Panels across our Care, Day Service and Work services

Influence disability policy, rights and opportunities

- Implement our communications strategy which will ensure all communications are contributing towards our organisation's mission, vision and values
- Influence decision-makers in the care, housing and work space so that Papworth Trust is positioned as an expert in these policy areas

Value our heritage whilst developing our culture

- Progress our cultural change through implementing a pathway to achieve our target culture which embraces our New Ways of Working and our Values
- Develop an Ethics Strategy which incorporates a Corporate Social Responsibility strategy encompassing all areas of the charity, working to

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support the reduction of climate change, the Government's 2050 target of carbon neutrality and work towards a greener world for our customers

Engage with others to learn and innovate

- Explore technological solutions to generate customer benefit and improved organisational efficiency

Retain and develop a high quality workforce

- Develop an on boarding process that accelerates new starter performance and supports retention of employees
- Develop & implement a reward & recognition strategy that embeds our values, behaviours and supports the business plan

Principal risks and uncertainties

Management of risk is an integral part of our planning and project management processes. 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, and business reviews to track both systemic and emerging risks, this generates a comprehensive review of risks facing the Trust. We maintain a risk register in which risks are documented and evaluated, so that major risks can be identified and the effectiveness of controls which mitigate these risks can be assessed. The system of internal control is designed to manage key risks and to provide reasonable assurance about the reliability of financial and operational information and the safeguarding of the Trust's assets and reputation: The Trustees have reviewed the internal controls in operation during the period, and are satisfied that there are no issues leading to any material uncertainty regarding these financial statements.

The Finance and Audit Committee and Trustees monitor and review our principal risks and the processes for managing them, together with the arrangements for internal and external audits and preparation of financial statements. The Governance and Compliance Committee has oversight on regulatory compliance and quality standards for our service delivery, and monitors risks against these.

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The critical risks and uncertainties have been identified as:

Key risk	Responses to the risk
<p>Government austerity measures and public sector finances</p> <p>Government austerity measures and local authority spending reviews have a greater impact on the financial sustainability of some services than planned. This may be particularly true post-Brexit</p>	<ul style="list-style-type: none"> • Active tracking and monitoring of national policy and local markets • Close engagement and partnering with commissioners of services • Careful scenario and sensitivity planning • Effective renegotiation of contracts
<p>Cost base increases unable to be supported</p> <p>The rate of cost increases due to national living wage and other employment related costs becomes unsustainable for the Trust</p>	<ul style="list-style-type: none"> • 'Open book' negotiations with commissioners • Service efficiencies, including technology deployment, used to maximise resource utilisation • Recruitment and retention of staff prioritised to minimise attrition
<p>Impact of Covid-19 pandemic</p> <p>The long-term impact of the covid-19 pandemic, in particular in relation to the way we are able to deliver our services, could have an impact on the financial sustainability of our operations</p>	<ul style="list-style-type: none"> • Actively engage with commissioning bodies to ensure alignment of service provision, with funding to support • Develop our community-based service delivery model within OWL (Day Services) • Continue to strengthen our remote working and technology supported ways of working across the Trust
<p>Breach of regulations</p> <p>The Trust works with vulnerable people in a number of highly regulated environments. A breach of regulations could lead to significant reputational damage, therefore though low likelihood, impact could be very high</p>	<ul style="list-style-type: none"> • Deployed a risk-based Quality Audit Framework, with focus on highly regulated areas such as Care prioritised • The strengthening of a self-assessment model to create greater local accountability, as well as independent scrutiny • Effective reporting, safeguarding and whistle-blowing policies and procedures in place

Key risk	Responses to the risk
<p>Ability to effectively structure the long-term financing plan</p> <p>Ability to generate sufficient cash flows to meet capital obligations will be more challenging with reduction in volumes, and in generating value from asset sales</p>	<ul style="list-style-type: none"> • Develop a detailed financing plan to deliver adequate resources to meet future planned liabilities, securing finance at economic, long-term rates • Deliver appropriate strategic assets disposals to support the plan • Secure contingency financing arrangements
<p>Future service provision not adapted sufficiently</p> <p>In a changing funding and commissioning landscape, operating models need to adapt so that service delivery remains effective for the price and service design that commissioners will support</p>	<ul style="list-style-type: none"> • Close monitoring and active dialogue with commissioners • Testing of future models of service delivery to meet changing customer needs, within the anticipated funding framework • Increase agility of provision by more effective asset strategy, together with recruitment of suitably skilled staff
<p>Defined Benefit pension liability increases significantly</p> <p>Actuarial assumptions made, and asset valuation volatility, gives rise to considerable uncertainty as to future valuations</p>	<ul style="list-style-type: none"> • Active use of accounting tool to track liability • Provision of reserves to seek to mitigate impact of any changes in valuation experienced
<p>Value of investment portfolio significantly decreases</p> <p>Listed investment volatility, particularly in response to world economic events and global issues, such as the Covid-19 pandemic, may have an adverse impact on the general reserves held by the Trust</p>	<ul style="list-style-type: none"> • Funds placed in a suitably diversified portfolio, managed by qualified investment managers • Scrutiny by the Investment Committee, including active consideration of the mandate for geographic base, sterling weighting, investment type and Environmental, Social and Governance considerations

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The Trustees have closely considered the impact Brexit may have on the organisation and its customers. We believe Brexit poses a risk to ourselves and our customers if considerations are not made for disabled people. This will be closely monitored and challenges made where necessary through the appropriate disability network channels.

The Strategic Report was approved by the Board and signed on its behalf on 30 July 2020 by:



Brian Stewart OBE
Chair of Trustees

Statement of the Board of Trustees' responsibilities in respect of the Board of Trustees' Annual Report and the financial statements

The Trustees are responsible for preparing the Strategic Report, 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), including FRS 102 *the Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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 Trust 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
- assess the Trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Trust or to cease operations, or have no realistic alternative but to do so.

The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the Trust's transactions and disclose with reasonable accuracy at any time the financial position of the Trust 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 2019. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Trust 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 Trust'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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Report and Accounts for the year ended 31 March 2020

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE PAPWORTH TRUST

Opinion

We have audited the financial statements of The Papworth Trust for the year ended 31 March 2020 which comprise the statement of comprehensive income and statement of changes in reserves, the balance sheet, the cash flow statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Trust's affairs as at 31 March 2020 and of the income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been properly prepared in accordance with the requirements of the Companies Act 2006, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Trust in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Trust's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Trustees are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Trustees' Annual Report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Trust and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Trustees' Annual Report.

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

- adequate accounting records have not been kept by the Trust, 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

The Papworth Trust

Report and Accounts for the year ended 31 March 2020

Respective responsibilities of Trustees

As explained more fully in the Trustees' Responsibilities Statement set out on page 28 the Trustees (who are also the directors of the Trust for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustees are responsible for assessing the Trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustees either intend to liquidate the Trust or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

We have been appointed auditors under the Companies Act 2006 and section 151 of the Charities Act 2011 and report in accordance with those Acts.

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at:

<https://www.frc.org.uk/auditorsresponsibilities> . This description forms part of our auditor's report.

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Use of our report

This report is made solely to the Trust'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 Trust'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 Trust and the Trust's members as a body, for our audit work, for this report, or for the opinions we have formed.

RSM UK Audit LLP

Laragh Jeanroy (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
Abbotsgate House
Hollow Road
Bury St Edmunds
Suffolk
IP32 7FA

Date *5 August 2020*

The Papworth Trust
Report and Accounts for the year ended 31 March 2020

Statement of Comprehensive Income

	Note	2020 £000's	2019 £000's
Turnover	3	12,647	13,027
Operating costs	3	(11,368)	(12,327)
Operating surplus		<u>1,279</u>	<u>700</u>
Profit/ (Loss) on disposal of tangible fixed assets	8	884	(37)
Exceptional income	9	263	-
Interest payable and similar charges	10	(613)	(669)
(Losses)/ Gains on investments	13	(358)	289
Surplus for the year		<u>1,455</u>	<u>283</u>
Movement in defined benefit pension scheme	22	2,797	(2,686)
Total Comprehensive income		<u>4,252</u>	<u>(2,403)</u>

The accounts relate to continuing operations. The notes on pages 37 to 73 form part of these financial statements.

Statement of Changes in Reserves

	2020 £000's	2019 £000's
Balance at 1 April	18,584	20,987
Surplus for the year	1,455	283
SHPS opening balance adjustment on initial recognition	-	(1,689)
Decrease / (increase) in Defined Benefit Pension liability	2,797	(997)
Balance at 31 March	<u>22,836</u>	<u>18,584</u>

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Balance Sheet	Notes	2020	2019
		£000's	£000's
Fixed Assets			
Housing Properties	11	38,367	39,113
Other Fixed Assets	12	3,503	3,985
Investments	13	7,753	8,111
Endowment Fund Assets	14	399	400
Total fixed assets		<u>50,022</u>	<u>51,609</u>
Current Assets			
Assets held for disposal	15	277	-
Debtors - amounts falling due within one year	16	978	1,102
Cash and cash equivalents		1,665	1,479
		<u>2,920</u>	<u>2,581</u>
Creditors:			
Amounts falling due within one year	17	(2,974)	(3,121)
Net current assets/ (liabilities)		<u>(54)</u>	<u>(540)</u>
Total assets less current liabilities		<u>49,968</u>	<u>51,069</u>
Creditors:			
Amounts falling due after more than one year	18-19	(24,642)	(26,847)
Provisions for liabilities and charges			
Pension liabilities	22	(2,323)	(5,495)
Other Provisions	21	(167)	(143)
Net assets		<u>22,836</u>	<u>18,584</u>
Reserves			
Restricted Reserves		2,681	2,788
Endowment Funds Reserves		399	400
Designated Reserves		13,531	12,756
General Reserves		6,225	2,640
Total Reserves	26	<u>22,836</u>	<u>18,584</u>

These Financial Statements were approved by the Board, and signed on the Board's behalf on 30th July 2020 by:



B Stewart
Trustee



M Anderson
Trustee

The notes on pages 37 to 73 form part of these financial statements.

The Papworth Trust
Report and Accounts for the year ended 31 March 2020

Cash Flow Statement

	2020 £000's	2019 £000's
Cash flows from operating activities		
Operating surplus	1,279	700
<i>Adjustment for:</i>		
Remeasurement of pensions liability	45	141
Exceptional income	263	-
Receipt of social housing grant	15	-
Depreciation	1,458	1,482
Impairment charge	110	
Amortisation of grants	(377)	(379)
Decrease)/ (increase) in trade and other debtors	124	(20)
(Decrease)/ Increase in trade and other creditors	(510)	15
Pensions deficit payments made	(566)	(637)
Net cash inflow	<u>1,841</u>	<u>1,302</u>
Interest paid	<u>(490)</u>	<u>(549)</u>
Cash flows from investing activities		
Proceeds from disposal of fixed assets	1,451	5
Acquisition of tangible fixed assets	(1,253)	(226)
Net cash inflow/ (outflow) from investing activities	<u>198</u>	<u>(221)</u>
Cash flows from financing activities		
Settlement of DWP loan	(507)	-
Repayment of borrowing	(856)	(559)
Net cash outflow from financing activities	<u>(1,363)</u>	<u>(559)</u>
Net Increase)/ (decrease) in cash	186	(27)
Cash and cash equivalents at 1 April	1,479	1,506
Cash and cash equivalents at 31 March	<u>1,665</u>	<u>1,479</u>

The notes on pages 37 to 73 form part of these financial statements.

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Notes to the financial statements

1. Legal Status

The Trust is a registered charity and an incorporated Company limited by guarantee. The Trust is also registered with the Homes and Communities Agency as a provider of social housing. The principal objective of the Trust is to provide essential care and support to disabled people, which it does through providing essential services including social housing. The Trusts Registered office is at 1 Saxongate, Bradbury Place, Huntingdon, PE29 3RR.

2. Accounting Policies

These financial statements are prepared in accordance with the Financial Reporting Standard 102, the financial reporting standard applicable in the UK and Republic of Ireland ("FRS 102").

The financial statements are also prepared in accordance with the Statement of Recommended Practice: Accounting by Registered Social Housing Providers Update 2018 and comply with the Accounting Direction for Private Registered Providers of Social Housing 2019.

The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

2.1 Basis of accounting

The financial statements are prepared on the historical cost basis except for the revaluation of investments to fair market value.

2.2 Going concern

The Board has assessed the Trust's financial performance and resources having regard to the 2020-21 budget and three year business plan. In addition, the Board has assessed the immediate and future expected impact of the Covid-19 pandemic. As a consequence, the Board believes that the Trust is well positioned to manage business risks and expects to have adequate resources to operate for the foreseeable future. The Board therefore continues to adopt the going concern basis in the preparation of these financial statements.

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2.3 Turnover

Turnover represents the income derived from the provision of the Trust's activities, comprising the sale of goods and services, property rental income net of voids, amortisation of Social Housing Grant, revenue grants, charitable gifts and dividend Income received.

Rental income is recognised from the point when it becomes due. Income for service delivery is recognised when services have been delivered. Income from grants are recognised when the conditions of the grant have been met. Income from investments is recognised when received.

2.4 Expenses

Cost of sales

Cost of sales represents the direct costs and overheads involved in providing social housing and other charitable activities.

Operating costs

Operating costs represent the support and premises costs that enable the Trust to provide social housing and other charitable operations.

Operating leases

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred.

Interest payable

Interest payable and similar charges are charged to the profit and loss account when incurred.

2.5 Tangible fixed assets – housing properties

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes the cost of acquiring land and buildings, directly attributable development costs, and expenditure incurred in respect of improvements which comprise the modernisation and extension of existing properties. Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated differently to buildings.

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2.6 Depreciation – housing properties

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each component part of housing properties. Land is not depreciated. No depreciation is charged on housing properties or components under construction. The estimated useful lives are as follows:

Structure	50-80 years
Roof	50 years
Electrical installation	40 years
Windows and doors	30 years
Heating (excluding boilers), plumbing and ventilation	30 years
Bathrooms	20 years
Boilers	15 years
Kitchens	15 years
Flooring	10 years

Depreciation methods, rates and residual values are reviewed if there is an indication of a significant change in the expectation of typical useful lives of asset groups.

2.7 Non-component works to existing properties

The amount of expenditure incurred which relates to an improvement, which is defined as an increase in the net rental stream of the life of a property, is capitalised. Expenditure incurred on other major repairs, cyclical and day-to-day repairs and maintenance to housing properties is charged to the income and expenditure account in the period incurred.

2.8 Other fixed assets

Other tangible fixed assets include those with an individual value at cost in excess of £1,000.

Depreciation is charged to the profit and loss account on a straight-line basis over their estimated useful lives. Freehold land is not depreciated. The estimated useful lives are as follows:

Freehold buildings (non-housing)	50 years
Leasehold improvements over	the life of the lease
Motor vehicles	4-6 years
Plant, machinery and fixtures	3-15 years
Office equipment	5-10 years

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2.9 Properties held for sale and work in progress

Assets under construction are held at cost within the relevant category of fixed assets and are not depreciated until the asset is in use.

Properties held for sale are recognised at the lower of depreciated cost and net realisable value. They are classified as current assets when the Trust deems disposal probable within the next twelve months. Net realisable value is based on estimated sales price after allowing for all further costs of completion and disposal.

2.10 Basic financial instruments

Trade and other debtors, including tenant arrears; trade and other creditors

These are recognised initially at transaction value less attributable transaction cost. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at fair value less attributable transaction cost. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Derecognition of financial assets and liabilities

A financial asset is derecognised only when the contractual rights to cash flows expire or are settled, or substantially all the risks and rewards of ownership are transferred to another party, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party. A financial liability (or part thereof) is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

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2.11 Impairment

A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its' carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment, the impairment is calculated as the difference between its' carrying amount and the best estimate of the amount that the Trust would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss statement.

2.12 Social Housing Grant

Social Housing Grant ("SHG") is initially recognised at fair value as a long term liability, specifically as deferred grant income and released through the income and expenditure as turnover income over the life of the structure of housing properties in accordance with the accrual method applicable to social landlords accounting for housing properties at cost.

On disposal of properties, all associated SHG are transferred to either the recycled capital grant fund or the disposal proceeds fund until the grant is recycled or repaid to reflect the existing obligation under the social housing grant funding regime.

2.13 Investment assets

Investments are carried at mid-market value as at the balance sheet date. Movements in asset valuations are recorded in the statement of comprehensive income.

2.14 Retirement benefits

The Company participated in one defined benefit pension scheme, the Social Housing Pension Scheme (SHPS), although the Company closed the scheme to further accrual in the year. SHPS is a multi-employer scheme which provides benefits to non-associated employers. The scheme is classified as a defined benefit scheme. Associated assets and liabilities are allocated to each employer for accounting purposes. The net defined benefit liability represents the present value of the defined benefit obligation minus the fair value of plan assets out of which obligations are to be settled.

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The rate used to discount the benefit obligations to their present value is based on market yields for high quality corporate bonds with terms and currencies consistent with those of the benefit obligations.

The last triennial valuation of the scheme for funding purposes was carried out as at 30 September 2017.

Gains/Losses

Gains or losses recognised in the profit and loss account are as follows:

- The change in the net defined benefit liability arising from employee service during the year is recognised as an employee cost.
- Net interest on the net defined benefit asset/liability comprises the interest cost on the defined benefit obligation and interest income on the plan assets, calculated by multiplying the fair value of the plan assets at the beginning of the period by the rate used to discount the benefit obligations.

Gains or losses recognised in other comprehensive income are as follows

- Any actuarial gains and losses,
- The difference between the interest income on the plan assets and the actual return on the plan assets.

2.15 Termination benefits

Termination benefits are recognised as an expense when the Trust is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Trust has made an offer of voluntary redundancy, it is likely that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

2.16 Provisions

A provision is recognised in the balance sheet when the Trust has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

2.17 Service charges

Service charge income and costs are recognised on an accrual's basis. The Trust operates variable service charges on a scheme by scheme basis in consultation

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with residents. The charges will include an allowance for the surplus or deficit from prior years, with the surplus being returned to residents by a reduced charge and a deficit being recovered by a higher charge. Until these are returned or recovered, they are held as creditors or debtors in the statement of financial position. Where periodic expenditure is required a provision may be built up over the years, in consultation with the residents; until these costs are incurred this liability is held in the statement of financial position within creditors.

2.18 VAT

The Company is partially exempt for Value Added Tax (VAT). The financial statements include VAT to the extent that it is suffered by the Trust and not recoverable from HM Revenue and Customs.

2.19 Taxation

As a registered charity, the Trust is exempt from UK corporation tax to the extent that incomes or other gains are applied exclusively to charitable purposes. Corporation tax on any income or gains that do not meet the criteria for exemption would be included on the income and expenditure report.

2.20 Reserves

Restricted reserves

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

Endowment funds

Endowment funds are held where funds held are part of either an expendable or permanent endowment fund. Endowment funds are only expendable in relation to the purposes for which they were received

Designated reserves

Designated reserves are reserves that have been identified for specific purposes by the Board.

Unrestricted reserves

Unrestricted reserves are held at a level appropriate for working capital and contingency, and are reviewed annually by the Board.

2.21 Accounting estimates and judgements

In producing these financial statements, the Trust has made estimates and judgements that it feels give a true and fair view. Accounting policies and

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judgements are assessed against current accounting standards, industry practice and market conditions, and reviewed annually for appropriateness.

Impairment

Housing stocks are assessed for impairment when an indicator of impairment is noted. Carrying values are considered to ensure that they are not greater than net present value, calculated using a discounted cash flow basis for housing stock that is in use. Where housing properties are not in use the net realisable value is calculated with reference to the potential sales value of the property. Details of impairment charges noted in the year are included in note 9 to these financial statements.

Bad Debt

Provisions are made for bad debt when there is deemed to be significant risk to recovery. For tenant arrears bad debt provision is made in all instances for former tenants unless a clear recovery plan is in place. For existing tenants, consideration for provision will be made based on the ageing profile of the debt.

For other debtors provision will be considered for transactions that are over three months overdue, with consideration being made for each debt based on the customer profile and the type of debt.

Defined benefit pension

Accounting estimates are made for the defined benefit pension scheme SHPS. Critical estimates are made by the Trust's pension's advisors. Management review these and are satisfied that assumptions used are reasonable.

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3 Social Housing

	2020 General Needs £000's	2020 Supported Housing £000's	2020 Total £000's	2019 Total £000's
Rent receivable (net of service charges)	895	2,546	3,441	3,460
Service charges	-	946	946	858
Net rents receivable	895	3,492	4,387	4,318
Other income	-	2	2	14
Total income from lettings	895	3,494	4,389	4,332
Expenditure on letting activities				
Management Services	(252)	(698)	(950)	(914)
Routine maintenance	(1)	(313)	(314)	(360)
Planned maintenance	(161)	(1,092)	(1,253)	(1,166)
Bad debts	(20)	(78)	(98)	(169)
Depreciation of housing properties	(6)	(41)	(47)	(4)
Impairment charges	(185)	(945)	(1,130)	(1,099)
Depreciation of other housing assets	-	(110)	(110)	-
Total expenditure on lettings	(5)	(16)	(21)	-
Operating surplus on lettings	265	201	466	620
Void Losses (included within the above)	(6)	(48)	(54)	(54)

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3 Social housing and other activities continued

	2020		
	Turnover	Cost of sales	Operating Surplus
	£000's	£000's	£000's
Social housing lettings			
General needs	895	(434)	265
Supported housing	3,492	(2,746)	201
	4,387	(3,180)	466
Other social housing activities			
Other housing activities	78	(147)	(69)
Amortised grant income	377	-	377
	455	(147)	308
Non-social housing activities			
Employment services	1,487	(1,585)	(98)
Care services	2,621	(2,871)	(250)
Day Services	1,411	(1,532)	(121)
Research & Policy	-	-	(85)
Business Development	-	(212)	(212)
Varrier-Jones Foundation	1,685	-	1,685
Fundraising	174	(50)	124
Enabling Services (Management, Finance, IT, HR and Facilities)	163	-	(708)
Investment income	264	(49)	215
Re-measurement of defined benefit pension liability	-	-	(45)
	7,805	(6,087)	505
	12,647	(9,414)	1,279
Total social housing and non-housing activity surplus			
Gain on disposal of assets			884
Exceptional income			263
Interest payable			(613)
Loss on investments			(358)
Surplus for year			1,455

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3 Social housing and other activities *continued*

	2019		
	Turnover	Cost of sales	Operating
	£000's	£000's	Costs
			£000's
			Operating
			Surplus
			£000's
Social housing lettings			
General needs	903	(331)	(232)
Supported housing	3,429	(2,467)	(682)
	4,332	(2,798)	(914)
Other social housing activities			
Other housing income	117	(137)	-
Amortised grant income	379	-	-
	496	(137)	-
Non-social housing activities			
Employment services	1,943	(1,897)	-
Care services	2,644	(3,036)	-
Day Services	1,386	(1,475)	-
Research and Policy	-	-	(86)
Business Development	-	-	(255)
Fundraising	129	(55)	74
Varrier-Jones Foundation	1,650	-	1,650
Enabling Services (Management, Finance, IT, HR and Facilities)	187	-	(1,217)
Investment income	260	(37)	223
Re-measurement of defined benefit pension liability	-	-	(141)
Transformation review	-	-	(279)
	8,199	(6,500)	(1,978)
	13,027	(9,435)	(2,892)
(Loss) on disposal of assets			(37)
Interest payable			(669)
Gains on investments			289
Surplus for year			283

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4 Housing Stock

	General Needs Housing (units)	Supported Housing (units)	2020 Total (units)	2019 (units)
Number of units	173	490	663	662
Owned and managed	173	486	659	655
Managed on behalf of others	-	4	4	7
	<u>173</u>	<u>490</u>	<u>663</u>	<u>662</u>

5 Expenses and auditor's remuneration

	2020 £000's	2019 £000's
Included in the profit and loss account are the following:		
Depreciation on housing properties	1,130	1,100
Impairment of housing properties	110	-
Depreciation on other fixed assets	328	382
Profit/ (Loss) on sale of other fixed assets	884	(37)
Costs of operating leases	88	175
 Auditor's remuneration:		
Audit of these financial statements	24	24
 Amounts receivable by the company auditor and its associates in respect of:		
Pensions advisory services	-	35
	<u>24</u>	<u>59</u>

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6 Staff and employee costs

	2020 Number	2019 Number
The average number of persons employed by the Trust (including directors) during the year was as follows:		
Average full-time equivalent employees	<u>187</u>	<u>218</u>
Staff costs (for the above persons)	£000's	£000's
Wages and salaries	5,141	5,584
Social security costs	410	472
Pension costs	235	311
	<u>5,786</u>	<u>6,367</u>

Pensions costs include £45,000 (2019: £118,000) of current service cost for the SHPS pension scheme. At 31 March outstanding pensions contributions were £78,000 (2019: £78,000) an amount which includes deficit repayments due of £43,000 in respect of planned deficit repayments for the SHPS pension.

Salary banding for all employees earning over £60,000 (including salaries, performance related pay and benefits in kind but excluding pension contributions paid by the employer and any termination costs paid).

	2020	2019
Bands		
£60,000- £70,000	-	1
£70,001-£80,000	-	2
£80,001-£90,000	1	3
£90,001- £100,000	1	-
£100,001-£110,000	-	1
£110,001- £120,000	1	-

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7 Board members and Executive Directors

The Directors are defined as the members of the Board, the Chief Executive and the Executive Team.

	2020 £000's	2019 £000's
Aggregate emoluments paid to Directors	291	339
Pension	31	28
	<u>322</u>	<u>367</u>
Total emoluments paid to the highest paid Director. In 2019 the highest paid Director was employed for 11 months of the previous year, having joined in May 2018.	<u>112</u>	<u>88</u>
Number of Directors in the defined benefit pension scheme	<u>-</u>	<u>1</u>

In addition to the above the highest paid director received pension contributions of £11,000 (2019: £9,000).

In addition to the above services were procured to the value of £68,000 for the provision of the role of Director of Human Resources.

During the year no consideration was paid to Trustees for performing their roles (2019: Nil). In the year out of pocket expenses of totalling £2,989 (2019: £1,694) were paid to members of the Board.

8 Profit/ (Loss) on disposal of tangible fixed assets

	2020 £000's	2019 £000's
Proceeds from sale of assets	1,451	5
Cost of disposals	(567)	(42)
	<u>884</u>	<u>(37)</u>

The above includes the sale of the Trust's former Head Office in Papworth Everard, the sale of which was completed in March 2020. This sale triggered the repayment of a grant held over this asset which was previously held as a long-term liability. The net receipt from disposal was £911,000 after full settlement of this liability.

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9 Exceptional income

	2020 £000's	2019 £000's
Sale of hospital pre-emption rights	263	-
	<u>263</u>	<u>-</u>

Exceptional income was received in the year in exchange for the Trust releasing certain pre-emption rights over property in the village of Papworth Everard occupied by Papworth Hospital.

10 Interest payable and similar charges

	2020 £000's	2019 £000's
Interest payable on financial liabilities	490	549
Interest payable on the unwinding of the net pension deficit liability	123	120
	<u>613</u>	<u>669</u>

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11 Housing properties	General Needs	Supporting living	Capital work in progress	Total
Cost	£000's	£000's	£000's	£000's
Balance at 1 April 2019	8,097	48,001	74	56,172
Acquisitions	272	270	108	650
Transfers	40	(124)	(74)	(158)
Disposals	-	(32)	-	(32)
Balance at 31 March 2020	8,409	48,115	108	56,632
Depreciation				
Balance at 1 April 2019	3,814	13,245	-	17,059
Depreciation charge for year	229	901	-	1,130
Impairment charge for year	-	110	-	110
Transfers	-	(17)	-	(17)
Disposals	-	(17)	-	(17)
Balance at 31 March 2020	4,043	14,222	-	18,265
Net book value				
At 31 March 2020	4,366	33,893	108	38,367
At 31 March 2019	4,283	34,756	74	39,113

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12 Other fixed assets	Land & Buildings £000's	Motor Vehicles £000's	IT Assets £000's	Other Fixed Assets £000's	Total £000's
Cost					
Balance at 1 April 2019	7,739	195	288	400	8,622
Acquisitions	463	108	14	18	603
Transfers	(425)	-	-	-	(425)
Disposals	(2,042)	(32)	-	(132)	(2,206)
Balance at 31 March 2020	<u>5,735</u>	<u>271</u>	<u>302</u>	<u>286</u>	<u>6,594</u>
Depreciation					
Balance at 1 April 2019	4,063	158	157	259	4,637
Depreciation charge for year	227	25	51	25	328
Transfers	(288)	-	-	-	(288)
Disposals	(1,501)	(32)	-	(53)	(1,586)
Balance at 31 March 2020	<u>2,501</u>	<u>151</u>	<u>208</u>	<u>231</u>	<u>3,091</u>
Net book value					
At 31 March 2020	<u>3,234</u>	<u>120</u>	<u>94</u>	<u>55</u>	<u>3,503</u>
At 31 March 2019	<u>3,676</u>	<u>37</u>	<u>131</u>	<u>141</u>	<u>3,985</u>

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13 Investments

Market Value

	2020 £000's	2019 £000's
At 1 April	8,111	7,832
Additions	2,036	1,050
Disposals	(2,003)	(1,353)
Realised gains	113	34
Unrealised & other movements	(504)	548
Market Value at 31 March	7,753	8,111

Historical cost of assets

	2020 £000's	2019 £000's
Historical cost of assets	7,596	7,728
Unrealised gains	157	383
Market Value at 31 March	7,753	8,111

Held as follows:

	2020 £000's	2019 £000's
Cash & cash equivalents	234	393
Fixed Income	1,183	1,220
UK Equities	1,377	1,662
Global Equities	3,793	3,915
Alternative Investments	1,166	921
Market Value at 31 March	7,753	8,111

14 Endowment Fund Assets

	2020 £000's	2019 £000's
Cash	156	153
Investments	83	87
Property	160	160
	399	400

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15 Properties Held for Disposal

	2020 £000's	2019 £000's
Housing property	140	-
Commercial property	137	-
	<u>277</u>	<u>-</u>

At the Balance Sheet date the Trust held one housing property for sale (2019: Nil). In addition to this, one of the Trust's commercial premises is also being actively marketed for sale in Ipswich, following its closure as an operational facility in 2019. There are also a number of surplus assets, with little or no carrying value, within the village of Papworth Everard for which disposal is being sought.

16 Debtors

	2020 £000's	2019 £000's
Trade debtors	467	493
Prepayments and accrued income	321	332
Tenant arrears	108	176
Other debtors	82	101
	<u>978</u>	<u>1,102</u>

Tenant Arrears:

	2020 £'000	2019 £'000
Current tenant arrears	106	138
- less provision for bad and doubtful debts	-	-
Former tenant arrears	87	87
- less provision for bad and doubtful debts	(85)	(49)
	<u>108</u>	<u>176</u>

Former tenant arrears relate to individuals who no longer occupy premises owned by the Trust.

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17 Creditors: amounts falling due within one year

	2020 £000's	2019 £000's
Loans (note 19)	898	852
Trade creditors	271	267
Other taxation and social security	125	151
Other creditors	316	243
Rents received in advance	200	146
Accruals and deferred income	1,164	1,462
	<u>2,974</u>	<u>3,121</u>

18 Creditors: amounts falling due after more than one year

	2020 £000's	2019 £000's
Loans (note 19)	13,552	14,454
Other creditors	-	574
Deferred grant income	11,090	11,819
	<u>24,642</u>	<u>26,847</u>

Deferred grant income

	2020 £000's	2019 £000's
Social Housing Grants due greater than one year	10,653	11,380
Recycled capital grants fund	402	401
Other grants	35	38
	<u>11,090</u>	<u>11,819</u>

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18 Creditors: amounts falling due after more than one year continued

Social Housing Grants

	2020 £000's	2019 £000's
Cost		
Cost at 1 April	19,419	19,419
Additions/ disposals in year	15	-
Cost at 31 March	<u>19,434</u>	<u>19,419</u>
Amortisation		
Amortisation at 1 April	8,039	7,660
Amortisation income in year	371	379
Amortisation at 31 March	<u>8,410</u>	<u>8,039</u>
Deferred Grant income	<u>11,024</u>	<u>11,380</u>
Due within one year	371	-
Due after more than one year	<u>10,653</u>	<u>11,380</u>
	<u>11,024</u>	<u>11,380</u>

Recycled Capital Grant Fund

	2020 £000's	2019 £000's
At 1 April	401	399
Utilised in the year	-	-
Interest Credited to the fund	1	2
At 31 March	<u>402</u>	<u>401</u>
Due within one year	-	-
Due after more than one year	<u>402</u>	<u>401</u>
	<u>402</u>	<u>401</u>

Of the above balance £402,000 (2019: 401,000) relates to grants that were recycled over three years previously from the date of these financial statements.

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19 Loans and borrowings

All loans and borrowings are measured at amortised cost.

Secured bank loans are secured by way of a first fixed charge over specified housing properties and include an asset cover test based on the ratio of the value of properties secured to the carrying value of the loan. Secured bank loans include interest cover and gearing covenants each of which is tested annually against relevant disclosures within the profit and loss and balance sheet of the financial statements.

	2020 £000's	2019 £000's
Secured bank loans		
Due within one year	898	852
Due between one and two years	948	898
Due between two and five years	3,102	3,005
Due in greater than five years	9,502	10,551
	<u>14,450</u>	<u>15,306</u>

Outstanding Loans by Lender

	2020 £000's	2019 £000's
Orchard Brook	480	494
Lloyds	2,980	3,084
Royal Bank of Scotland	6,178	6,659
Barclays	4,812	5,069
	<u>14,450</u>	<u>15,306</u>

The Papworth Trust
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19 Loans and borrowings continued

A loan from Orchard Brook Limited of £480,000 is repayable by 2034 at a fixed rate of interest of 11.47% secured by specific charges on various Papworth Trust housing properties and repayable in bi-annual instalments.

A loan from Lloyds Bank plc of £2.98 million is secured by way of fixed charges over certain properties owned by Papworth Trust. Outstanding balances are as follows:

Interest rate	End of fixed rate period	£000
Fixed 3.91%	December 2039	2,064
Fixed 2.68%	December 2039	916

The Royal Bank of Scotland plc loan is part of a £10 million facility secured by way of fixed charges on certain properties owned by Papworth Trust. Total outstanding loans of £6.2m are held as of 31 March 2020 and details are as follows:

Interest rate	End of fixed rate period	£000
Fixed 5.66%	September 2021	525
Fixed 7.09%	September 2024	531
Fixed 6.97%	November 2024	194
Fixed 4.57%	July 2026	400
Fixed 4.74%	February 2027	1,000
Fixed 3.61%	March 2027	900
Variable 1.1%		2,628

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. Capital redemptions of £250,000 are due annually in July for a period of twenty years beginning July 2019. Details are as follows:

Interest rate	End of fixed rate period	£000
Fixed 3.43%	July 2038	1,900
Variable 0.95%		2,000
Variable 1%		850

In addition to the above a commercial mortgage of £62,000 (2019: £69,000) is held over one of the Trusts commercial buildings in Lowestoft which is repaid in monthly instalments and will be fully redeemed by October 2026.

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20 Analysis of Net Debt

	2020 £000's	2019 £000's
Net debt at 1 April	13,827	14,364
Cash flows in period	1,898	27
Repayment of borrowing	(856)	(564)
Balance at 31 March	<u>12,785</u>	<u>13,827</u>
Net debt made up as follows:		
Loans due in less than one year	898	852
Loans due in more than one year	13,552	14,454
Cash held	(1,665)	(1,479)
Net debt held	<u>12,785</u>	<u>13,827</u>

21 Other Provisions

	2020 £000's	2019 £000's
Balance at 1 April	143	170
Provisions made during the year	57	33
Provisions used during the year	(33)	(60)
Balance at 31 March	<u>167</u>	<u>143</u>

Provisions held relate to expected future dilapidations works required on two leasehold properties upon termination of the lease. One of these leases expired in March 2020 and is currently rolling whilst a strategic review is under taken as to the future use of these premises by the Trust. The other lease is due for expiry in 2023.

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22 Employee Benefits

The company participates in the SHPS scheme, a multi-employer scheme which provides benefits to some 500 non-associated employers. The scheme is a defined benefit scheme in the UK.

Present Values of Defined Benefit Obligation, Fair Value of Assets and Defined Benefit Liability

	31 March 2020 (£000s)	31 March 2019 (£000s)
Fair value of plan assets	16,048	15,404
Present value of defined benefit obligation	(18,371)	(20,899)
Defined benefit (liability) to be recognised	<u>(2,323)</u>	<u>(5,495)</u>

Reconciliation of Opening and Closing Balances of the Defined Benefit Obligation

	31 March 2020 (£000s)	31 March 2019 (£000s)
Defined benefit obligation at 1 April	20,899	19,777
Current service cost	45	118
Expenses	23	23
Interest expense	487	507
Member contributions	14	39
Actuarial losses / (gains) due to scheme experience	81	(293)
Actuarial (gains) / losses due to changes in demographic assumptions	(183)	59
Actuarial (gains) / losses due to changes in financial assumptions	(2,646)	1,393
Benefits and expenses paid	(349)	(724)
Defined benefit obligation at 31 March	<u>18,371</u>	<u>20,899</u>

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22 Employee Benefits continued

Reconciliation of Opening and Closing Balances of the Fair Value of Plan Assets

	31 March 2020 (£000s)	31 March 2019 (£000s)
Fair value of plan assets at 1 April	15,404	14,903
Interest income	364	387
Experience on plan assets (excluding amounts included in interest income) - gain (loss)	49	162
Contributions by employer	566	637
Contributions by plan participants	14	39
Benefits paid and expenses	(349)	(724)
Fair value of plan assets at 31 March	16,048	15,404

The actual return on the plan assets (including any changes in share of assets) over the period ended 31 March 2020 was £413,000 (2019: £549,000).

Defined Benefit Costs Recognised in Statement of Comprehensive Income (SoCI)

	31 March 2020 (£000s)	31 March 2019 (£000s)
Current service cost	45	118
Expenses	23	23
Net interest expense	123	120
Defined benefit (liability) to be recognised	191	261

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22 Employee Benefits continued

Defined Benefit Costs Recognised in the Statement of Changes in Reserves

	31 March 2020 (£000s)	31 March 2019 (£000s)
SHPS opening balance adjustment on initial recognition	-	(1,689)
Experience on plan assets (excluding amounts included in net interest cost)	49	162
Experience gains and losses arising on the plan liabilities	(81)	293
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation	183	(59)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation	2,646	(1,393)
	2,797	(2,686)

Plan Assets

	31 March 2020 (£000s)	31 March 2019 (£000s)
Global equity	2,347	2,592
Absolute return	837	1,333
Distressed opportunities	309	280
Credit relative value	440	282
Alternative risk premia	1,122	888
Fund of hedge funds	9	69
Emerging markets debt	486	531
Risk sharing	542	465
Insurance- linked securities	493	442
Property	354	347
Infrastructure	1,194	808
Private debt	323	207
Opportunistic Illiquid Credit	388	-
Corporate Bond Fund	915	719
Liquid credit	7	-
Long lease property	278	227
Secured income	609	551
Liability driven investment	5,326	5,633
Current assets	69	30
	16,048	15,404

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22 Employee Benefits continued

Key Assumptions

	31 March 2020	31 March 2019
	% per annum	% per annum
Discount rate	2.35	2.34
Inflation (RPI)	2.56	3.26
Inflation (CPI)	1.56	2.26
Salary Growth	2.0	2.26
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance

The mortality assumptions adopted at 31 March 2020 based on life expectancy at 65 years are as follows:

	31 March 2020	31 March 2019
	Life expectancy (years)	Life expectancy (years)
Male retiring in 2020	21.5	21.8
Female retiring in 2020	23.3	23.5
Male retiring in 2040	22.9	23.2
Female retiring in 2040	24.5	24.7

23 Operating Leases

	2020 £000's	2019 £000's
Future minimum lease payments due are as follows:		
Less than one year	56	74
Between one and five years	64	59
	<u>120</u>	<u>133</u>

The Papworth Trust

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24 Contingent Liabilities

The Trust receives grants and loans from the Homes England and other bodies. Under the terms of these grants/ loans amounts maybe repayable if the properties are disposed of or cease to be used for the purpose specified. The Trust therefore has a contingent liability for amounts in relation to grants which have been recognised in the profit and loss through amortisation, plus any calculation of interest accrued on these amounts, which could become repayable if the property is disposed of or its use changes. Details of these grants are included within note 18 of these financial statements.

Housing grants may be recycled in which case the obligation is transferred to the recycled capital grant fund and held on the balance sheet.

25 Post balance sheet events

On 23 March 2020 the UK government introduced lockdown measures which had a significant impact on both the UK and global economy in the subsequent months. The Trust's assessment is that, whilst this had a significant immediate impact on some elements of operational delivery, steps were taken to secure income and subsequent events have not given rise to adjusting events within the annual accounts. The evolution of the situation remains a source of uncertainty, however the ability to draw on existing cash reserves and investments means there are no indications that the position at the current date is materially different from that shown in these financial statements. Further detail on the impact of COVID-19 has been detailed within accounting policies and the Trustee's report.

The Trust has reviewed the valuation of its investments holdings up to the period of signing the accounts and note that market values have subsequently improved significantly from the valuation at 31 March 2020, and therefore do not believe that a material and permanent decline in the investment valuations should be reflected within these accounts.

The Papworth Trust
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26 Reserves

Movement in funds

	At 31 March 2019	Income	Expenditure	Investment	Other	At 31 March 2020
Unrestricted:	2,640	11,111	(9,377)	(354)	2,205	6,225
<u>Designated</u>						
<u>funds:</u>						
Fixed asset Fund	12,756	377	(1,285)	-	1,683	13,531
<u>Restricted</u>						
<u>Funds:</u>						
Capital fund	2,644	28	(173)	-	(7)	2,492
Building Better Opportunities	-	1,019	(1,019)	-	-	-
Leicester ageing together	28	-	-	-	-	28
Other Housing funds	33	-	-	-	(1)	32
First Steps	11	60	(14)	-	-	57
Cambridge mini bus	38	10	-	-	(48)	-
Other funds	34	39	(5)	-	4	72
Endowment Funds	400	3	-	(4)	-	399
	18,584	12,647	(11,873)	(358)	3,836	22,836

Designated Funds:

The fixed asset fund relates to the net value the Trust holds in fixed assets including associated liabilities such as secured loans and Housing Grants less any properties funded through restricted funding streams.

Income into the fund relates to amortisation of social housing grants. Expenditure relates to the annual depreciation charge made against unrestricted fixed assets. Transfers into the fixed asset fund related to capital investments made in fixed assets, payments made to reduce associated liabilities and other fixed asset movements.

The Papworth Trust

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26 Reserves continued

Restricted Funds

The capital fund relates to assets purchased using restricted funding and includes cash raised as part of capital appeals. Depreciation is expensed against those grants as they are utilised. Income received in the year relates to a fundraising campaign to procure a new kitchen in our Cambridge Centre, which includes a £20,000 donation from the Morrison Foundation.

The Building Better Opportunities Fund relates to income received from the Big Lottery Fund and the European Social Fund to tackle poverty and social inclusion through improving access to work for disabled people. Funds received in advance for this project are deferred until they are utilised.

The Leicester Ageing Together fund relates to a project funded by the Big Lottery Fund to provide access to Warm Homes for people in Leicestershire who suffer from fuel poverty.

Other Housing Funds represent restricted funds for various Housing Projects. These funds have now been utilised with no further restrictions placed on the funds and therefore residual funds have been transferred to unrestricted funding.

The First Steps Project is being run throughout our three key regions and aims to utilise community fundraising to provide an employment advisor in all three counties. To date funds have been raised for this project in Suffolk and Cambridgeshire. We are extremely grateful in particular for the support of our centenary circle fundraising group, and for the support of Deloitte in supporting these appeals.

The Cambridge Mini Bus project is a fundraising scheme to procure a new mini bus for services users. We are pleased to note that we were able to procure a mini bus for the service in 2019 and these funds have therefore now been utilised and are held as part of the fixed asset reserve.

Other funds represent all other restricted funds for non-housing related projects, including the Trust's Day Centres.

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26 Reserves continued

Analysis of Net Assets between Funds

	General Reserves	Designated Reserves	Restricted Reserves	Endowment fund	Total Reserves
Fixed Assets	7,754	39,442	2,427	399	50,022
Current Assets	2,666	-	254	-	2,920
Liabilities due within 1 year	(1,705)	(1,269)	-	-	(2,974)
Liabilities due after one year	-	(24,642)	-	-	(24,642)
Provisions for liabilities	(2,490)	-	-	-	(2,490)
Total Net Assets	6,225	13,531	2,681	399	22,836

26 Related parties

During the year the Trust purchased services in the normal course of business from The Varrier-Jones Foundation, a connected charity whose objectives are to support the work of Papworth Trust.

In the year ended 31 March 2020 services were purchased totalling £5,870 (2019: £4,702), these services were for the lease of two premises owned by the Varrier-Jones Foundation. The Trust made sales to The Varrier-Jones Foundation of £51,600 (2019: £48,360) for the provision of business support functions for the Foundation.

At 31 March 2020 the amount due from The Varrier-Jones Foundation was £9,600 (2019: £nil). The amount due to The Varrier-Jones Foundation was £2,700 (2019: £nil)

The Varrier-Jones Foundation provides funding to the Trust. During the year, donations of £1,685,000 were received (2019: £1,650,000).

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27 Value for Money Metrics

27.1 Reinvestment

	2020	2019
	£000's	£000's
Reinvestment in housing stock is as follows		
Acquisition & development of housing properties	19	-
Capital works to existing properties	631	193
Total reinvestment	<u>650</u>	<u>193</u>
Historical cost of Housing Properties	<u>56,632</u>	<u>56,172</u>
Percentage of reinvestment	<u>1.1%</u>	<u>0.3%</u>

27.2 New Supply delivered

	2020	2019
	£000's	£000's
New supply deliver is as follows:		
New general needs units	-	-
New supported living units	4	-
Total new units	<u>4</u>	<u>-</u>
Total Units owned	<u>659</u>	<u>655</u>
Percentage of new supply	<u>0.5%</u>	<u>0.0%</u>

The Papworth Trust
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27 Value for Money Metrics continued

27.3 Gearing

	2020	2019
	£000's	£000's
Gearing is made up as follows:		
Loans due in less than one year	898	852
Loans due in more than one year	13,552	14,454
Cash held	(1,665)	(1,479)
Net debt held	<u>12,785</u>	<u>13,827</u>
Historical cost of Housing Properties	<u>56,632</u>	<u>56,172</u>
Gearing	<u>22.6%</u>	<u>24.6%</u>

27.4 Interest cover

	2020	2019
	£000's	£000's
EBITDA MRI is made up as follows:		
Operating Surplus for Social Housing Activities	576	620
Add back depreciation for Housing Units	1,130	1,099
Less Amortisation of government grants	(377)	(379)
	<u>1,329</u>	<u>1,340</u>
Interest payable	<u>490</u>	<u>549</u>
EBITDA MRI	<u>271%</u>	<u>245%</u>

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27 Value for Money Metrics continued

27.5 Social Housing costs per unit

	2020	2019
	£000's	£000's
Per unit housing costs is made up as follows:		
Management costs	972	914
Maintenance costs	714	838
Service charge costs	963	861
Depreciation	1,130	1,099
	<u>3,779</u>	<u>3,712</u>
Total number of units	<u>663</u>	<u>662</u>
Total cost per unit	<u>5,700</u>	<u>5,607</u>

The Papworth Trust
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27 Value for Money Metrics continued

27.6 Operating margin

	2020	2019
	£000's	£000's
Operating margin is made up as follows		
Operating surplus from general needs	265	340
Operating surplus from supporting living	311	280
Total Operating Surplus	<u>576</u>	<u>620</u>
Revenue from general needs	895	903
Revenue from supported living	3,492	3,429
Total revenue	<u>4,387</u>	<u>4,332</u>
Operating margin from general needs	29.6%	37.7%
Operating margin from supported living	8.9%	8.2%
Total operating margin	<u>13.1%</u>	<u>14.3%</u>

Exceptional items, including impairment charges are excluded from the above operating margin ratios.

The Papworth Trust
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27 Value for Money Metrics continued

27.7 Return on Capital Employed (ROCE)

	2020	2019
	£000's	£000's
ROCE is made up as follows		
Operating Surplus for Social Housing Activities	576	620
Loss on disposal of fixed assets	(15)	(37)
Adjusted operating surplus	<u>561</u>	<u>583</u>
Net book value of housing properties	38,477	39,113
Current assets	2,941	2,581
Current liabilities	(2,576)	(3,121)
Total assets less current liabilities	<u>38,842</u>	<u>38,573</u>
ROCE	<u>1.4%</u>	<u>1.5%</u>

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Honorary personnel, Trustees and senior managers

PATRON

Her Royal Highness the Duchess of Gloucester, GCVO

VICE-PRESIDENTS

Mr A Bridgewater	Mr A Dasgupta MBE	Sir Hugh Duberly CBE LL
Lady S Marshall	Mrs J P B G Pearson	Mrs M E Thomas CBE DL
Mrs J Womack	Mr G R W Wright DL	Mr R Hammond

CHAIR OF TRUSTEES

Mr B Stewart

VICE-CHAIR OF TRUSTEES

Mr P Hughes
Ms D Sorkin (Resigned May 2020)

HON. TREASURER

Mr R Norton (Resigned May 2020)
Mr M Anderson (Appointed May 2020)

OTHER TRUSTEES

Mr P Agar (Resigned May 2020)
Mr W Cuell
Mr A Hirst
Ms V Stanislas
Mr D Atkinson
Mr A Williams (Appointed May 2020)
Ms I Noronha-DiVanna (Appointed May 2020)
Ms. J Carmichael (Appointed May 2020)
Ms. E Jessop (Appointed May 2020)

EXECUTIVE TEAM

Ms S Miller	Chief Executive Officer
Mr M Blake	Director of Finance and IT
Ms H Harris	Director of Operations

Papworth Trust is a company limited by members' guarantee of £1.00 each.
The Trustees are the members of Papworth Trust.

The register of members is maintained at the registered office.

The Papworth Trust

Report and Accounts for the year ended 31 March 2020

Principal Advisers and general Trust information

COMPANY SECRETARY

Mr M Blake

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