

**The Papworth Trust**  
**Report and Accounts**  
**31 March 2022**

**The Papworth Trust**  
**Report and Accounts for the year ended 31 March 2022**

**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 we put our customers 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 continued good performance in the year, against a background of challenging economic circumstances and ongoing disruption due to Covid-19. Our quality of service delivery has remained high, and we articulate our achievements against our plan in the report below. These achievements 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 customers.

We have seen growth in revenue of 10% in the year, primarily as a result of some expansion of our Care provision and greater activity across our Work programmes, with levels of activity elsewhere being maintained. Costs have largely risen to match this expansion and, with the increased costs of housing maintenance, has pushed our operating surplus down a little. However, we are pleased to be able to increase our reach, and therefore impact, and will continue to strive to support as many people as possible, recognising that there is still significant unmet need for disabled people in our unequal society.

The pandemic has continued to affect our work, with lockdowns and local Covid-19 outbreaks disrupting service delivery in a number of areas. We have continued to engage with our customers throughout, maintained service delivery as far as possible and are now starting to see some stability, and greater scope to plan for the future, as restrictions have eased. We have reviewed our strategy during this period, and have revised our business plan, centring on four strategic objectives, as described below in our plans for future periods, allowing us to build on our strong foundations whilst seeking growth opportunities where appropriate.

The external landscape is likely to remain difficult for some time. Local Authority funding, which is a key income stream for us, has never been more constrained, and increasing inflationary pressures in all areas will challenge the Trust. We, like much of the economy, have on-going recruitment and retention issues, as well as material and contractor availability challenges for buildings maintenance, and we have sought to be as pro-active as possible to ensure we can secure the resources required for continued delivery.

I would like to thank all the staff and volunteers of the Trust for their efforts over the past year. Their commitment and dedication to our customers continues to inspire. I would also like to record the Trust's continuing appreciation for the substantial annual donation received from the Varrier-Jones Foundation.

Finally, I would like to thank our Trustees, and all of our supporters, who make a significant contribution to the work of the Trust, with particular thanks to Deloitte LLP. Without this continuing support, we couldn't do all that we do.

**Brian Stewart OBE – Chair of Trustees**

## **TRUSTEES' REPORT**

The Trustees present the Trustees' Report and audited Financial Statements for the year ended 31 March 2022.

### **Achievements and performance**

We are pleased to report, that we have been able to sustain our service delivery and continue to positively support our customers, despite the challenges from previous years continuing into this one. We send our thanks to all our staff and volunteers without whom this would not have been possible, whilst retaining customer and outcome focus.

We have maintained our attention on elements that we believe have the greatest impact on the lives of disabled people, concentrating on our four key service delivery areas, which are:

- **Housing** – we are a registered provider of social housing, with nearly 75% of this being supported housing, ensuring disabled people have suitable homes
- **Work** – we deliver a number of programmes to support people to develop skills and gain access to employment opportunities
- **Care** – we provide care to individuals who generally have complex needs so that they can live independently within their own homes
- **Opportunities without Limits (OWL)** – provides a range of day services and opportunities for disabled people

We currently provide 663 homes of which 490 offer supported living, have supported 2,093 individuals moving towards and into work, delivered 248,768 hours of care in total for our 38 supported living customers and supported 250 people with learning disabilities in 5 Opportunities without Limits centres. In 2021-22 Papworth Trust had turnover of £14.8m (2020-21: £13.4m) and employed 249 staff (2020-21: 232)

In 2020 the Board of Trustees established seven key strategic priorities as part of our three-year Business Plan, structured in order to 'DELIVER' our strategy. We are pleased to report the following progress in 2021-22 that has been made against each of these.

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#### **Deliver Sustainable Growth with Purpose**

- Funding has been secured to set up our First Steps To Success work programme in Essex as well continuing to support our Suffolk and Cambridge services.
- We successfully moved our Sawston Opportunities Without Limits service to its new home in Abington which will provide the ability to increase the number of customers we can support.

#### **Efficiently and Effectively provide great services**

- We have reviewed and refined our recruitment process for Care to improve recruitment success rate and sustainability. We have also reviewed and increased the hourly pay being offered to help attract and retain care recruitment as well as ensuring we can offer an attractive package given the changes to the national living wage.
- For our Care service in Treeways we have revised our customer strategy and successfully obtained additional funding from commissioners.
- We have successfully improved performance in our Work and Health Programme, receiving higher than expected high rate outcomes, since returning to a payment by results model.
- We have implemented a Customer Relationship Management system for income generation to help drive increased funding.

#### **Lead Meaningful Engagement, Striving for Co-Production**

- We have designed and implemented a tenant scrutiny panel and recruiting to a tenant experience panel has started. This will help improve engagement with our tenants and improve our services based on tenant involvement and feedback.
- We have developed and implemented customer forums in our work services to offer opportunities for customers to engage with us.
- We have implemented OWL customer and Care forums in Basildon and Ipswich to continually learn and improve our service offer.

#### **Influence disability policy, rights and opportunities**

- We have achieved level 3 Leader Status, Disability Confident reaccreditation in the year. This will allow us to raise the profile of Disability Confident and engage with local employers to ensure that they recruit more disabled people.

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#### **Value our heritage whilst developing our culture**

- We have completed stage one of our ethics strategy with definitions and purposes being agreed and an action plan has been developed. An ethics group is being established to review the action plan quarterly as well as propose new activities.

#### **Engage with others to learn and innovate**

- A working group has been established and first place measures have been agreed with regards to the development of our impact measurement framework.
- Our Hybrid working policy has been developed using the lessons learned from working through the pandemic.

#### **Retain and develop a high quality workforce**

- We have successfully recruited a Learning and Development manager to appraise the delivery of learning and development across the Trust.
- A draft format of our volunteering strategy has been developed with resources in 2022-23 being secured for a Volunteer Co-ordinator to deliver the strategy.

#### **Impact of Covid-19 Pandemic**

Now some two years on from the initial impact of the Covid-19 pandemic, we, like many organisations, are still experiencing effects, which have been varied across the business. We have been able to ensure continuity of delivery of services, adapting to ensure that customers can continue to be supported in a safe way, and that our operations run efficiently and effectively. We have used the lessons learned, as well as the impetus already in train from our move to a more agile way of working in a number of our functions, to develop new ways of working that seek to maintain customers at the heart of everything that we do. Individually for our service streams the impact has been as follows:

##### **Housing**

For our housing portfolio the focus throughout the pandemic has been to continue to deliver our planned housing improvements and to support any tenants who have been negatively impacted. Due to supply chain challenges, and also recognising the need to support shielding customers, our planned investment programme over the past two years has been challenged with some planned works being delayed. To address this, we have re-worked our programme to ensure that the most critical elements get priority attention. We have sought to engage closely with tenants throughout, and to respect their

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individual wishes around access to their properties. We are committing through our budgets and forward plans to ensure all work that has been delayed is completed as soon as possible. We continue to build on our tenant engagement activities, and are increasing our resource in this area. We are seeking to establish longer-term contracts with key suppliers in order to improve the resilience of our supply chain.

#### **Work**

It was recognised that, during the periods particularly affected by Covid-19 restrictions, securing employment opportunities for our customers, often those most removed from the job market, was particularly challenging. It proved difficult at times to deliver the outcomes anticipated by our programmes. This was a national picture that was recognised by key funders, such as the Department for Work and Pensions, and funding mechanisms were put in place to ensure services were sustained. All existing programmes have continued, with delivery being a blend of virtual and face-to-face interaction. Performance across these programmes has been strong since the turn of the year in 2022, giving us confidence in continuing to achieve targets and assurance that our operating model remains effective.

#### **Care**

Our Care staff have continued to deliver quality support to our customers throughout the pandemic, and it is a credit to the teams that this delivery has been maintained, and that we have even seen some growth in customers. We have adapted service offerings where necessary to ensure customers remained protected, though disruption to staffing availability due to the need for staff to self-isolate or shield, has meant that demands on support workers has never been greater. We greatly appreciate the commitment and dedication of our staff in ensuring support to our customers was maintained. We continue to deliver high quality, customer-focussed care across our services, though challenges remain in this significantly under-funded provision and sector as a whole.

#### **OWL**

Our OWL services were most impacted by Covid-19, with the challenges of lockdowns, social distancing and some customers having to shield or self-isolate, leading to significant disruption to operations in our centres. Our response to these challenges was to move to a remote digital delivery model with home visits for those that needed it. This combined with the support of our commissioners via secured funding and agreements to revised forms of delivery, has meant that, in spite of this, we have been able to continue to provide services to most of our

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customers in some form or another, and are now able to recommence our centre-based offerings. The recovery path for this has been quicker in some services than others, but customers welcome the social interaction and we are seeing customers returning. We have maintained a level of mixed-mode operations, and have been grateful for the support of a number of partners who have donated equipment to allow customers to be able to access our remote services, keeping these customers engaged and connected, helping them to develop their skills and confidence.

#### **Ways of Working**

We adapted our working methodologies very quickly at the outset to enable remote working for staff, and have embraced technology to help us support staff to maintain delivery. We are using the lessons learned from this more flexible mode of working into our future workplace and workspace planning, as we consider the requirements going forward. We are conscious of the needs to also adapt governance and controls to our revised ways of working, and have developed our policies and processes accordingly.

We have focussed strongly on staff wellbeing, recognising that all our staff are facing different challenges, and we continue to work on our plans for the future to seek to build a more effective and supportive organisation for both customers and staff.

#### **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, if required. It also sets out any designated reserves held and the purpose for holding these. The reserve balances are reviewed annually, informed by the business plan and an assessment of risks facing the business.

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.

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#### **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 £2.6m.

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, if required, 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 Trustees have also elected to include in designated funds the pension liability payments still required under the deficit repayment plan produced from the most recent full actuarial assessment, less the amount already provided for this liability on the balance sheet, following the pension trustees' current assessments. The value of designated reserves held as at the balance sheet date was £17.3m.

#### **Endowment Funds**

The Trust holds a small number of funds, described as 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 £428k.

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**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**

<b>Category</b>	<b>Description of Risk</b>	<b>Estimated Financial Exposure</b>
<b>1. Potential Future Obligations</b>	Social Housing Pension Liability. There is a potential £233m claim against TPT, the fund managers for SHPS, relating to the application of inflation rates to benefits historically. This is not reflected in the TPT valuation, however it would be prudent to reserve for our share of risk to our own funds.	£700k
	Capital Investments – own funds required to be reserved to complete projects	None at present – funding plans in place to meet requirements. This could change once we have an assessment of requirements to

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<b>Category</b>	<b>Description of Risk</b>	<b>Estimated Financial Exposure</b>
		meet net zero compliance
<b>2. Operational challenges</b>	Care service delivery. Challenging operating model, risk to achieving financial improvement plan and sustainable operating model	£75k to £150k
	Stress-testing and sensitivity of budget projections	£250k to £350k
	Reduction in voluntary funding. Reserve needed to manage any transition to reduced funding environment	£300k
	Inflation levels significantly exceed those budgeted, adversely impacting the cost base of the organisation	£100k to £200k
<b>3. Transitional arrangements</b>	Funds required to manage transitions between contracts	none anticipated at present
<b>4. Funding planned service shortfalls</b>	Identification of reserves to fund future shortfalls	none required that are not already included in the budget
<b>5. Asset valuation risk</b>	Impairment risk of fixed assets. Realisable value may be less than in-use value for specialist assets	£550k
	Repayment of social housing grants, should these not be recycled effectively	£400k
	Downgrade in valuation of Investment portfolio	£1m to £2m

From this assessment the Trustees have concluded that they need to hold general reserves for operating activities in the target range of £3.4m to £4.7m, with consideration also made for further increases in the SHPS liability at the next full actuarial revaluation, in the range of £0.75m to £1.5m, on previous experiences, giving a total target range of £4.15m to £6.2m. Current general reserves stand at £6.4m, as at 31<sup>st</sup> March 2022, and therefore these reserves are slightly in excess of our current target range. The level of general reserves is monitored carefully to assess whether any excess is permanent or temporary in nature, and programme delivery will be structured accordingly.

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#### **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 trustees of the 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 its reserves policy, whilst also providing a valuable unrestricted income stream to support operations. A 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. The investment portfolio is positioned to act as a fall-back source of liquidity in the unlikely event that the Trust experiences a period of operational cashflow stress.

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#### **Structure, governance and management**

As a Charity, The Papworth Trust is governed by its Trustees, who are also the members of the Trust. 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. Certain site visits and induction meetings have necessarily been virtual meetings due to Covid restrictions over recent times, but we are pleased that we are now able to offer the opportunity to see our services first hand in order to fully appreciate the impact that we can achieve.

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 and by the use of board management software, keeping them updated on matters arising within the charity, as well as within the sector and our operating landscape more widely.

All Trustees, including the Chair, undertake an annual appraisal review, incorporating feedback from primary points of contact, in order to monitor Board effectiveness.

Trustees do not receive a salary, but may claim expenses for actual costs incurred in attending meetings or otherwise fulfilling their duties. The extent of reimbursement of expenses is dealt with under note 7 below.

#### **Conflicts of Interest**

A register of Trustee and Executive Team interests is maintained, in order to be able to assess and manage any potential conflicts, and the Conflicts of Interest

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policy and process has also been revised in the current year in order to ensure alignment with current best practice.

Trustees and Executive Team members are asked to maintain the information held, and formally confirm on an annual basis the contents of the Register of Interests and also continued eligibility to serve as a Trustee of The Papworth Trust, with reference to disclosures required under company law and charity law, as well as best practice.

Trustees and Executive Team members are also asked to disclose any potential conflicts of interest at the start of any Board or Committee meeting, or prior to the involvement in any project, where a conflict might exist. Any such conflict so identified is then managed in accordance with the policy.

#### **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 throughout 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 terms of reference of individual committees, and of the Board, are reviewed annually to ensure continued effectiveness and compliance with good governance practice, with a Board effectiveness review undertaken every 3 years. The committee structure now in operation, with key responsibilities identified, is as follows:

##### Finance, Audit and Risk Committee

The Finance, Audit and Risk Committee is responsible for reviewing the financial performance of the Trust and reporting this to the Board, as well as overseeing the organisation's Risk Management Framework. The Committee monitors in-year financial performance and reviews the Trust's annual accounts, recommending them to the Board for approval. The Committee receives audit reports from internal and external auditors and reviews the Trust's framework for financial controls, including consideration of the annual statement of 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.

The Committee also takes primary responsibility for ensuring that the Trust has effective risk management mechanisms in place, and periodically considers the

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Trust's risk register, ensuring that mitigations are effective and that any residual risk is aligned with the Trust's tolerance and appetite for risk.

#### Governance and 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 The 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 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.

### **Equality, Diversity and Inclusion**

In line with our mission, we want disabled people to have their own home and live independent lives. Papworth Trust also strives to be an open and inclusive organisation, which serves all our communities and service users. We are

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committed to equality of opportunity for everyone who uses or provides our services.

We seek to make sure that no one will be treated less favourably because of their gender, sexual orientation, marital status, responsibilities for dependants, race, colour, nationality, ethnic origin, religious or political beliefs, age, class, disability or unrelated criminal convictions.

We expect all individuals and organisations that are involved in our activities to respect our equality and diversity policy.

#### **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 consider all applications for employment from disabled people.

Currently 16.9% of Papworth Trust's employees have a declared disability, with additional staff having long term medical conditions which they do not consider to be disabilities.

This year we were re accredited for another 3 years as a Disability Confident Leader. We continue to champion good practice under this scheme and actively encourage all organisations within our supply chain and wider networks to employ, support and promote disabled people. We also actively support other organisations to join the Disability Confident scheme.

#### **Employee Involvement**

We continue to develop our staff and volunteer voice to enable them to contribute to the development and delivery of our services, reward packages and policies. We will be embedding this through our Employee & Wellbeing Forum, Ethics Groups, Colleague Experience Groups and will focus on developing even more effective communication/feedback mechanisms.

We also continue to build on the success of our existing communication mechanisms, retaining those channels already in place, such as the weekly

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briefing from the Chief Executive Officer (CEO) and our newsletters and publications. We are further strengthening both our communication channels and our employee voice, through the setting up of Task Groups for our Strategic Priorities.

#### **Gender Pay Gap**

Several changes affected our Gender Pay Gap in April 2021. We pay a sleep-in top up for our Care staff. As sleep ins have been classed as non-working time, we have included payments for these shifts in the calculations but not the hours completed. This reflects a change in our reporting methods from October 2020 and results in an increase in pay for our lower paid staff. We introduced company sick pay for our Care teams in January 2021.

We have had a greater proportion of female staff contributing to our salary sacrifice pensions. As the calculations must be made on gross pay after pension deductions for salary sacrifice this has increased the gender pay gap, particularly in the lower quartile. The Trust is showing a positive Median pay gap of 5.0% (2020 – Negative 3.2%) and a Mean pay gap of 6.0% (2020 – 0.5%).

#### **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 are signed up with the National Housing Federation and adopted 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. This has been supported by the recruitment of an Engagement Officer in our Housing team in the year.

#### **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. For donors and potential donors who have opted in to receiving contact by the Trust, personal details are kept in accordance with General Data Protection Regulations (GDPR).

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

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Trust, that information relating to the Trust is accurate and that donors are not misled. In the 2021/22 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 of social housing we provide safe, accessible and affordable homes for our customers and 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.

In presenting the value for money metrics for our housing portfolio for 2021-22, following the recommended reporting from the Regulator of Social Housing, we have elected to use benchmark comparisons with a national small provider benchmarking group, comprising over 140 smaller social housing providers, the Small Provider Benchmarking Metric (SPBM). 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, i.e. smaller providers with high levels of supported housing spread over a wide geographical area, alongside general needs housing. Therefore, within the SPBM we separate out the specialist providers who offer similar services to help us to understand respective performance more clearly.

### **Achievements in 2021-22**

- **Investment in Customer Engagement**

We recognise the importance of active involvement of our customers in our services, and this past year we launched our customer engagement strategy for tenants. With our new staff position focused on improving engagement with our tenants, we have reviewed our Tenant Scrutiny Panel and provided additional training to them to ensure that they have the skills they require to scrutinise whether the Trust is delivering on Value for Money.

- **Hybrid working**

We have made significant investment in our IT infrastructure to improve how the service uses technology to improve quality and increase efficiency. We have purchased improved IT equipment to enable our housing staff to work from any location, promoting home working and greater work in the community to reduce unnecessary commuting and provide a more visible service. We have continued our roll out of paperless housing systems and provided staff with tablet devices to enable improved service delivery.

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- **Investment in our homes**

We have continued our long-term commitment to improve the standard of our homes in line with our 30-year plan. Against a challenging external environment in the sector, we have completed £999k worth of capital works.

- **Asset management review**

We have completed Phase 1 of our strategic asset management project to develop our property strategy. This has involved comprehensively grading all of our existing homes on key areas of performance and value for money.

Phase 2 of the project will be undertaken in 2022/23

- **Kesgrave acquisition**

We have acquired a new home for one customer in Suffolk as part of our continued partnership working Suffolk County Council to deliver housing solutions to customers with complex care requirements. Initially a short-term arrangement to provide temporary accommodation to a customer whose principal home is undergoing adaptations.

<b>Value for Money Metrics (Note 28)</b>	<b>2021/22</b>	<b>2020/21</b>	<b>SPBM median</b>
Reinvestment	1.7%	1.6%	2.4%
New supply delivered	0.0%	0.2%	0.0%
Gearing	17.4%	19.8%	15.7%
Interest cover	322%	307%	255%
Social Housing cost per unit	£6,271	£6,013	£4,533
Operating margin (social housing)	8.7%	12.6%	17.8%
Return on capital employed	1.0%	1.5%	2.4%

### **Reinvestment**

Our level of reinvestment has increased by 0.1% from 2020-21 to 2021-22, although expenditure was down on planned levels due to the level of disruption created by the pandemic and latent impact across the sector in terms of procurement. We continue to invest significantly in component replacements in

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### Report and Accounts for the year ended 31 March 2022

order to improve the overall quality of our stock and plan to increase this investment further in 2022-23.

Alongside conventional component replacements, we are trialling the use of sustainable heating sources in a small number of homes. This trial will be used to inform future decisions as we seek to demonstrate value for money for stakeholders in achieving carbon net-zero by 2050.

#### **New Supply Delivered**

Our forward plan contains an intention to bring a further twelve units into use, using existing sites. All of these developments have progressed in the year, but more slowly than planned due to the pandemic.

#### **Gearing**

Gearing has decreased by 2.4% as a consequence of a concerted strategy to reduce overall debt levels across the organisation. We expect this process to continue over future periods as we gradually reduce our overall net debt levels.

#### **Interest Cover**

Our interest burden in the year has decreased as a result of lower total interest levels supported by historically lower base rates, being offset by decreased operational performance compared to prior years.

#### **Headline Social Housing Cost per Unit – analysed by type**

	<b>2021/22</b>	<b>2020/21</b>	<b>SPBM</b>
Supported housing	£7,031	£6,860	£8,696
General needs housing	£4,119	£3,618	£3,978
All housing	£6,271	£6,013	£4,533

Our overall social housing cost per unit has increased marginally from 2020-21 reflective of our ongoing investment in our homes coupled with price increases for materials and labour. This remains higher than the sector median, recognising that three quarters of our stock is supported housing attracting additional cost in terms of both intensive management and maintenance.

We have identified that higher costs of 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

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the value to our customers of living in a home suitably adapted to meet their needs with quality services to maximise their independence.

Due to the varied profile of our homes, it is appropriate to separate our general needs and supported housing to enable better benchmarking against similar providers for each housing type. When additional comparison is applied the general needs cost per unit is operating at a median level.

In the past 12 months, the supported housing cost per unit has increased toward the sector average, but still remains lower. This is not unexpected due to the different types of supported housing in our portfolio, from homes with minimal support and few adaptations which tend to be lower cost, through to higher-cost specialised supported housing. We recognise that significant variation can exist between supported housing costs due to differences in customer group, level of adaptation and service level, and remain committed to providing suitable homes to disabled people.

#### Operating Margin

Overall operating margin has reduced in the year. Overall revenue has remained stable, but increased maintenance costs have led to a reduction in surplus.

As with the social housing cost per unit metric, it is useful to split out the operating margin of our supported and general needs housing to understand the respective 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 supported housing. Provision of supported housing remains a key strategic area for the Trust.

	2021/22	2020/21	SPBM
Supported housing	5.1%	7.9%	8.2%
General needs housing	22.7%	31.4%	18.1%
All housing	8.7%	12.6%	17.8%

#### Return on Capital Employed (ROCE)

The return on capital employed has reduced in 2021-22, with operating margins falling against the previous year, and with a relatively unchanged underlying asset valuation.

### **Value for Money 2022/23**

- **Value for Money Strategy**

In ending what has been a challenging year, we have the opportunity to review how we use our resources to achieve value for money. We are planning to refresh our overall strategy in 2022-23, and develop it in line with our wider strategy and the external environment in which we operate.

- **Housing Development**

We are bringing twelve supported living units into active use, subject to obtaining the necessary consents. This is principally through 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. As part of our commitment to ensure our new homes are sustainable we are considering how we can ensure these meet net zero targets whilst achieving long term value for money.

- **Customer Focus**

Through our developed approach to customer focus we will work with our customers using our formal and informal engagement methods to identify where investments can meet need and make the biggest impact.

We will use our impact assessment framework alongside our customer feedback and self-assessment to determine the impact we have on customers and other stakeholders to ensure we are meeting economy and effectiveness.

- **Sustainability**

Phase 2 of our strategic asset management project will be completed in 2022/23. This involves appraising underperforming homes using a new Strategic Asset Performance Appraisal (ASAP) tool and is critical to our sustainability strategic objective. It considers the economy, efficiency and effectiveness of the individual homes within our portfolio to ensure they can deliver demonstrable value for money.

We recognise the importance of achieving net zero and our strategic assessment project includes consideration of viability to reach this.

- **Grow our impact**

We are developing a new housing development strategy. As part of this we are reviewing how we appraise both potential new opportunities and existing homes to ensure that future decisions consider value for money. We will use our ASAP model for new homes to ensure a consistent approach.

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### **Report and Accounts for the year ended 31 March 2022**

- **External Influence**

Our historic connection to Papworth Everard village is important to us and we want to enhance our relationship with our customers based there and the wider community. As part of our impact assessment we will consider how we can demonstrate this objective has achieved value for money.

### **Going Concern**

The Board has assessed The Papworth Trust's current financial position and resources, future obligations and risks, together with a review of the Trust's forward business plan, to consider the future financial viability of the Trust.

We have issued a new Business Plan which considers the likely impact of future cost pressures due to the pandemic and Brexit. We have also completed risks and sensitivity testing around key areas of uncertainty, and of major cash flows, within this plan and note that the Trust has sufficient reserves and working capital to support the Business Plan. The Trust also continues to have the support of the Varrier-Jones Foundation, who have confirmed their commitment to support the Trust over the next financial year.

The Board therefore considers that it has a reasonable expectation that adequate resources exist for the Trust to continue to be operational for the foreseeable future and therefore that the adoption of the going concern principle is reasonable and appropriate in producing these financial statements.

### **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 Trustees' 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 27 July 2022 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 support a wide range of disabled people, including those with 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**

The object of the Trust is to provide relief to disabled people, including the provision of social housing, in such ways that are for the benefit of the public and charitable according to English Law.

This Object is delivered via a three-year Business Plan and annual Budgets and Departmental Plans. We carry out service reviews on a monthly 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, considering any risks that emerge and any resourcing that may be required. The reviews also help to ensure that our activities remain focused on our strategic 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, employment support, care and day services as appropriate to meet the needs of our customers. 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.

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**Financial Review**

Full details of our financial performance for the year ended 31 March 2022 are shown in the Statement of Comprehensive Income, Balance Sheet, Cash Flow Statement and Notes to the Accounts.

Turnover and operating surplus for 2021-22, with prior year comparisons, are shown in the table below:

	<b>2022</b> <b>£'000s</b>	2021 £'000s
Turnover	14,771	13,383
Operating costs	(13,049)	(11,320)
Operating surplus	<u>1,722</u>	<u>2,063</u>
(Loss) / Profit on sale of fixed assets	(133)	1
Exceptional income	-	67
Interest payable	(483)	(491)
Investment gains	320	1,826
<b>Surplus for the year</b>	<u><u>1,426</u></u>	<u><u>3,466</u></u>

Headline income has increased by 10%, which is principally attributable to income from Care and Work activities, Care has increased by 28% in the year, representing £879k additional income, with Work increasing by 43%, representing £605K in additional income. Fundraising has seen a decline in income from last year by 39% (£162K) as we received 2 large legacy donations in 2020/21. Other income has remained largely consistent across other service streams. Total operational costs have increased over the same period primarily attributable to Care and Work activities, Care operating costs have increased by 31% (£1,026K) and Work 34% (£491K). Care cost increases are a result of staffing issues seen nationally in the care sector, increasing rates and increasing the usage of agency staff; Work is due to our Work and Health Programme activity increasing.

**Income**

- Turnover from social housing lettings has remained static at £4.6m from 2020/21. If we exclude the small surplus made on the disposal of a housing unit in 2020/21 turnover has increased by 2% from £4.5m to £4.6m.
- Care activities saw income increase by 28%. The key drivers are the introduction of a new customer in Lowestoft, an additional temporary 2% rate

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### **Report and Accounts for the year ended 31 March 2022**

increase from Suffolk County Council as Covid support payments, as well as backdated rate uplifts for NHS customers. We also received £50k from Suffolk County Council in the form of Workforce Recruitment and Retention fund payments, to support the care sector.

- OWL income increased by 4%, funding guarantees were in place for all sites up to December 2021, supporting the maintenance of services, and customers have been returning as Covid restrictions are reduced.
- Work services saw increased turnover of 43%. The Work and Health Programme's cost recovery model was extended to 31 December 2021 which meant we received 105% of costs as income. The Work and Health Programme has since reverted to a performance related turnover basis, and the Trust has been performing strongly, achieving better higher rate outcomes than expected, resulting in above budget income for the last quarter.

#### **Expenditure**

- Expenditure in Care increased by 31% due to increased staff and agency costs, specifically in our Lowestoft and Ipswich operations. The Care industry has experienced national difficulties around attracting and retaining care workers, and we have experienced this impact. In January the Trust increased hourly rates for care workers, ahead of anticipated changes in the National Living Wage, to seek to improve the recruitment and retention of support workers.
- Housing expenditure has increased by 4% as a result of considerable price increases for materials and labour, being partially offset by elements of work that could not be completed due to materials and labour shortages. We continue to work with our tenants and our suppliers to complete any outstanding work as soon as practicable for all parties, recognising the disruption to maintenance schedules created by the Covid-19 pandemic and exacerbated by supply issues, post Brexit.
- Work services expenditure increased by 34% compared to last year. The Work and Health Programme cost recovery model of 105% was extended to December 2021, with the JETS programme operating similarly. We have invested in capacity in order to meet targets, which has produced strong results.
- Our support functions expenditure has stayed in line with that incurred in the prior year.
- Expenditure in OWL Services are also broadly in line with that incurred in the previous year.

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### **Report and Accounts for the year ended 31 March 2022**

#### **Balance Sheet**

- The cash position has improved by £230k, with total cash held of £2.4m at the balance sheet date. This is reflective of positive operational performance, but also reflects a number of elements of our capital expenditure programme that were planned for, but not completed in the year, due to material and labour shortages.
- The improved cash position has ensured that the Trust is reporting an improved current asset position at the balance sheet date. It is recognised that the Trust has significant loan redemptions to make in future years and have secured facilities in order to manage the anticipated future requirements.
- The Trust actively monitors and manages cash utilisation, and has prepared a long-term forecast which has been tested under stress scenarios to ensure adequate future liquidity. The Trust was ahead of its target for liquid funds at the balance sheet date.
- The current year financial statements highlight a significant improvement in the level of deficit for the SHPS pension scheme. The fair value of plan assets has seen significant gains which, together with increased discount rates, have led to a drop in our obligation. The Trust also made deficit repair contributions of £500K, and has a schedule of deficit repayment obligations running until March 2028, based upon the outcome of the last triennial valuation, which was as at 30 September 2020.

#### **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, Audit and Risk 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. Regular stress testing is performed to ensure that the Trust has sufficient mitigations in place in the event of multiple events occurring that places stress on working capital. Working capital requirements are held as cash, with surplus funds being invested through the Trust's investment managers. Potential drawdowns

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### **Report and Accounts for the year ended 31 March 2022**

from investments are considered as part of the Trust's financing plan to support working capital as required.

The Trust have secured a new lending facility of £3m which it is anticipated will be drawn in the coming financial year.

#### **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 comfortably met for the year ended 31 March 2022.

#### **Plans for future periods**

The Trust's 2022-25 Business plan has set the following strategic principles to allow us to deliver good quality homes, jobs and services that enable our customers to achieve their aspirations:

- Customer focus
- Sustainability
- Grow our impact
- External Influence

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

#### **Customer focus**

We will:

- Respond to the needs of our customers, providing support to achieve their aspirations
- Learn from our customers through engaging and co-producing our services and our offer
- Measure and monitor the impact our services have on the lives of our customers to learn and improve
- Co-design service standards and assess our performance against them.

Actions:

- Implement our experts by experience programme, where customers audit services delivery, and the outcomes drive positive improvements
- Implement our self-assessment programme to drive service improvements
- Roll out customer charter, establishing ways to monitor organisation service standards better
- Understand the positive difference we are making through our newly-created impact assessment framework

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### **Report and Accounts for the year ended 31 March 2022**

- Work alongside customers to design projects they want/need and secure funding to deliver these.

#### **Sustainability**

We will:

- Invest in our people processes and technology to provide a progressive and inclusive work environment
- Use asset management and net zero strategies to drive sustainability, whilst optimising our assets in accordance with our long-term financing plan
- Build on our strategic relationship with Varrier-Jones Foundation and broaden our approach to unrestricted funding
- Develop our management information strategy to support effective decision making and performance monitoring

Actions:

- Invest in our employee reward package; supporting agile and flexible working and providing opportunities for individual development to meet our future skills needs.
- Complete an asset management review of our property portfolio to ensure it is fit for purpose for the longer term. We will produce asset management and property development strategies that will consider operating costs, net zero targets, viability, and sustainability
- Seeking to be more strategic in our outlook, assessing and reporting on the impact that is achieved by effective use of resources.
- Working with each department to develop a continuous improvement programme which reviews systems, processes, resources, and policies.

#### **Grow our impact**

We will:

- Develop and invest in our approach to innovation
- Enhance our relationship management and strategic partnerships to maximise opportunities for disabled people
- Develop and integrate Information, Advice and Guidance, Transition and Befriending into existing core service delivery
- Implement our volunteer strategy to enhance the value of our services

Actions:

- Work with our colleagues and customers to action their concepts into pilot designs, with supporting business cases using our innovation fund.
- Better understand the external relationships held across the Trust and how to build on these for the benefit of disabled people.

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### Report and Accounts for the year ended 31 March 2022

- Work with our services and partner organisations to support customers with Information, Advice, and Guidance. Where appropriate, securing funding for services to deliver this.
- Work with schools and local authorities to promote our offering to young disabled people.
- Undertake market research to identify befriending service opportunities.
- Launch and embed our volunteer strategy.

#### External influence

We Will:

- Positively influence communities and national policy to meet the needs of disabled people
- Use our Disability Confident leadership status and expertise to maximise opportunities for disabled people
- Engage with Papworth Everard tenants and the wider community to enhance our relationships and our role in the village

Actions:

- Campaign to raise the funding and profile of social care.
- Progress towards having net zero properties in new construction.
- Raise the profile of Disability Confident and engage with local employers to ensure that they recruit more disabled people.
- Engage with the residents and stakeholders of Papworth Everard to enhance our role in the village.

Our strategic objectives outlined above articulate the focus of activity throughout the business plan period. These are supported by further, complementary elements of work that are critical to our future success. These are:

- **Digital Strategy** – To enhance our digital investment and develop our digital culture.
- **Customer engagement** – Ensure our customer voice helps us to shape our organisation.
- **Financing plan** – To support operations to deliver their needs and to ensure financial sustainability of the Trust.
- **Ethics** – Aiming to drive ethical behaviour across the Trust in all our work.
- **Culture** – To steer the Trust towards our desired working culture.
- **Value for money** – To use the optimal combination of cost and quality, whilst ensuring sustainability and maximising our impact.

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- **People/equality, diversity and inclusion** – Driving a healthy, progressive work environment.
- **Health and safety** – To improve and enhance the physical safety and safety culture of our organisation.
- **Asset management** – To understand and make best use of our property portfolio.
- **Safeguarding** – Prevent harm and reduce the risk of abuse or neglect.
- **Net Zero/carbon neutral** – To understand our organisation's carbon footprint and develop our approach towards a sustainable future.
- **Business continuity** – To identify critical activities and establish priorities during a period of disruption.

### Principal risks and uncertainties

Management of risk is an integral part of our planning and project management processes. The 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. The Risk Policy and Risk Management Framework were both reviewed by Committees and the Board in the year, revised as necessary, and approved.

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, Audit and Risk Committee and the Trustee Board 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.

The critical risks and uncertainties have been identified as:

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Key risk	Responses to the risk
<p><b>Government austerity measures and public sector finances</b></p> <p>Government austerity measures and local authority spending reviews have a greater impact on the financial sustainability of services than anticipated in the Business Plan</p>	<ul style="list-style-type: none"> <li>• Active tracking and monitoring of national policy and local markets</li> <li>• Close engagement and partnering with commissioners of services</li> <li>• Careful scenario and sensitivity planning to take pre-emptive action</li> <li>• Effective renegotiation of contracts</li> </ul>
<p><b>Staff recruitment challenges</b></p> <p>Inability to recruit and retain staff with the appropriate skill-set at rates that are affordable for the Trust to continue to deliver its services, against a background of cost of living increases.</p> <p>Loss of key member of staff</p>	<ul style="list-style-type: none"> <li>• Improved reward packages for staff</li> <li>• Greater focus on well-being and staff support</li> <li>• Development pathways opened up for staff with potential to grow with the organisation</li> <li>• Succession plans and business continuity plans to be established to mitigate any single key person / function dependency</li> </ul>
<p><b>Cost base increases unable to be supported</b></p> <p>The rate of cost increases due to national living wage, other employment related costs and general inflation for supplies of materials and services, becomes unsustainable for the Trust where we are not able to pass these cost increases on</p>	<ul style="list-style-type: none"> <li>• 'Open book' negotiations with commissioners</li> <li>• Service efficiencies, including technology deployment, used to maximise resource utilisation</li> <li>• Recruitment and retention of staff prioritised to minimise attrition</li> <li>• Forward contracting as much as possible to fix pricing</li> </ul>
<p><b>Ability to effectively structure the long-term financing plan</b></p> <p>Ability to generate sufficient cash flows to meet capital and re-financing obligations will be more challenging with reduction in volumes, and challenges in generating anticipated value from asset sales. This may be increasingly challenged with the requirements for 'net zero', particularly for our housing stock</p>	<ul style="list-style-type: none"> <li>• Deliver appropriate strategic asset disposals to support the plan, being open to a wide range of options</li> <li>• Increased visibility of long-term capital maintenance funding required following completion of stock condition surveys for our housing and commercial buildings gives clear funding requirement</li> <li>• Secure and draw new lending facility</li> <li>• Complete scenario analysis and secure contingency financing arrangements</li> </ul>

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Key risk	Responses to the risk
<p><b>Breach of regulations</b></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. Though the likelihood is low, the impact could be very high</p>	<ul style="list-style-type: none"> <li>• Deployed a risk-based Quality Assurance Framework, with focus on highly regulated areas such as Care prioritised</li> <li>• The strengthening of a self-assessment model to create greater local accountability, as well as independent scrutiny</li> <li>• Effective reporting, safeguarding and whistle-blowing policies and procedures in place, as part of a structured policy register, with scheduled review points</li> </ul>
<p><b>Health and Safety or safeguarding concern for our customers</b></p> <p>In delivering services for adults with a wide variety of support needs, including some with complex requirements, there is a risk of a failure to properly safeguard a customer, due to lack of skills, resources or process, leading to potential harm to the customer, regulatory breach and adverse financial and reputational impacts</p>	<ul style="list-style-type: none"> <li>• Strong induction processes in all of our services</li> <li>• Clear audit process, with escalation reporting, for each service</li> <li>• Clear support plans in place for each customer in a properly risk-assessed environment</li> <li>• Discipline established through working groups, with clear logs of incidents and escalation / reporting mechanisms in place</li> </ul>
<p><b>Defined Benefit pension liability increases significantly</b></p> <p>Actuarial assumptions made, and asset valuation volatility, gives rise to considerable uncertainty of future valuations and deficit contributions</p>	<ul style="list-style-type: none"> <li>• Active use of accounting tool to track liability</li> <li>• Provision of reserves to seek to mitigate impact of any changes in valuation experienced</li> <li>• Completion of cash flow stress-testing analysis and liquidity contingency planning</li> </ul>
<p><b>Value of investment portfolio significantly decreases</b></p> <p>Listed investment volatility, particularly in response to world economic events and global issues, such as the Covid-19 pandemic and the Ukraine conflict, may have an adverse impact on the general reserves held by the Trust</p>	<ul style="list-style-type: none"> <li>• Funds placed in a suitably diversified portfolio, managed by qualified investment managers</li> <li>• Scrutiny by the Investment Committee, including active consideration of the mandate for geographic base, sterling weighting, investment type and Environmental, Social and Governance considerations</li> </ul>

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Key risk	Responses to the risk
<p><b>Significant reduction in voluntary income</b></p> <p>Inability of VJF to meet our donation expectations due to VJF's own financial challenges or to other factors</p>	<ul style="list-style-type: none"> <li>• Regular review of reserves and cash flow scenarios undertaken to stress-test</li> <li>• Seek to secure a longer-term agreement on the level of recurrent financing in order to provide stability, adjusting commitments accordingly</li> <li>• Seek to build alternative sources of unrestricted funding to maintain flexibility</li> <li>• Exploit new ways of working to explore cost savings that could be achieved through rationalisation of premises</li> </ul>

The Trustees have closely considered the on-going impact that Brexit may have on the organisation and its customers, now that the UK has left the EU. We believe that there is a potential risk to ourselves and our customers if considerations are not made for disabled people as policy and legislation evolves. 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 27 July 2022 by:



Brian Stewart OBE  
 Chair of Trustees

**The Papworth Trust**  
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**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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**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE PAPWORTH TRUST**

**Opinion**

We have audited the financial statements of The Papworth Trust (the 'company') for the year ended 31 March 2022 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 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 company's affairs as at 31 March 2022 and of the company's 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 company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Conclusions relating to going concern**

In auditing the financial statements, we have concluded that the Trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for

## **The Papworth Trust**

### **Report and Accounts for the year ended 31 March 2022**

a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Trustees with respect to going concern are described in the relevant sections of this report.

#### **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 contained within the annual report. 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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 Trustees' Report and the Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Trustees' Report and the Strategic 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 company and its environment obtained in the course of the audit, we have not identified material misstatements in the Trustees' Report and the Strategic 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:

## **The Papworth Trust**

### **Report and Accounts for the year ended 31 March 2022**

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

#### **Responsibilities of the Board**

As explained more fully in the Trustees' Responsibilities Statement set out on pages 36 the Trustees (who are also the directors of the company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

#### **Auditor's responsibilities for the audit of the financial statements**

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

#### **The extent to which the audit was considered capable of detecting irregularities, including fraud**

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements,

## **The Papworth Trust**

### **Report and Accounts for the year ended 31 March 2022**

and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the audit engagement team:

- obtained an understanding of the nature of the sector, including the legal and regulatory framework that the company operates in and how the company are complying with the legal and regulatory framework;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 102, the Companies Act 2006, Charities Act 2011, the Housing and Regeneration Act 2008, the Accounting Direction for Private Registered Providers of Social Housing 2019 and tax compliance regulations. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures and inquiring of management whether the company is in compliance with these laws and regulations and inspecting any correspondence with external tax advisors.

The most significant laws and regulations that have an indirect impact on the financial statements are Health and Safety at Work Act 1974 and Regulator of Social Housing Regulatory Standards (both Economic and Consumer standards). We performed audit procedures to inquire of management whether the company is in compliance with these law and regulations and inspecting any correspondence with licensing or regulatory authorities.

## **The Papworth Trust**

### **Report and Accounts for the year ended 31 March 2022**

The audit engagement team identified the risk of management override of controls and the completeness of revenue streams as the areas where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments, evaluating the business rationale in relation to any significant, unusual transactions and any transactions entered into outside the normal course of business and performing tests of detail on revenue recognised in the year and subsequent to the year end.

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

#### **Use of our report**

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

*RSK UK Audit LLP*

Laragh Jeanroy (Senior Statutory Auditor)  
For and on behalf of RSM UK Audit LLP, Statutory Auditor  
Chartered Accountants  
Blenheim House  
Newmarket Road  
Bury St Edmunds  
Suffolk  
IP33 3SB  
09/08/22

**The Papworth Trust**  
**Report and Accounts for the year ended 31 March 2022**

**Statement of Comprehensive Income**

	Note	2022 £'000s	2021 £'000s
Turnover	3	<u>14,771</u>	<u>13,383</u>
Operating costs	3	(13,049)	(11,320)
<b>Operating surplus</b>		<u>1,722</u>	<u>2,063</u>
(Loss)/ profit on disposal of tangible fixed assets	8	(133)	1
Exceptional income	9	-	67
Interest payable and similar charges	10	(483)	(491)
Gains/ (losses) on investments		320	1,826
<b>Surplus for the year</b>		<u>1,426</u>	<u>3,466</u>
Movement in defined benefit pension scheme	23	2,124	(3,170)
<b>Total Comprehensive income</b>		<u>3,550</u>	<u>296</u>

The accounts relate to continuing operations. The notes on pages 43 to 82 form part of these financial statements.

**Statement of Changes in Reserves**

	2022 £'000s	2021 £'000s
Balance at 1 April	23,132	22,836
Surplus for the year	1,426	3,466
Decrease/ (increase) in Defined Benefit Pension liability	2,124	(3,170)
Balance at 31 March	<u>26,682</u>	<u>23,132</u>

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**Report and Accounts for the year ended 31 March 2022**

<b>Balance Sheet</b>	Notes	2022 £'000s	2021 £'000s
<b>Fixed Assets</b>			
Housing Properties	11	37,814	38,068
Other Fixed Assets	12	2,833	3,263
Investments	13	9,932	9,605
Endowment Fund Assets	14	428	417
<b>Total fixed assets</b>		<u>51,007</u>	<u>51,353</u>
<b>Current Assets</b>			
Assets held for disposal	15	137	137
Debtors - amounts falling due within one year	16	1,375	1,183
Cash and cash equivalents		2,425	2,195
		<u>3,937</u>	<u>3,515</u>
<b>Creditors:</b>			
Amounts falling due within one year	17	<u>(3,654)</u>	<u>(3,254)</u>
<b>Net current assets/ (liabilities)</b>		<u>283</u>	<u>261</u>
<b>Total assets less current liabilities</b>		<u>51,290</u>	<u>51,614</u>
<b>Creditors:</b>			
Amounts falling due after more than one year	18-19	(21,924)	(23,304)
<b>Provisions for liabilities and charges</b>			
Pension liabilities	23	(2,463)	(4,972)
Other Provisions	22	(221)	(206)
<b>Net assets</b>		<u>26,682</u>	<u>23,132</u>
<b>Reserves</b>			
Restricted Reserves		2,525	2,553
Endowment Funds Reserves		428	417
Unrestricted Reserves:			
Designated Reserves		17,283	14,426
General Reserves		<u>6,446</u>	<u>5,736</u>
Total Unrestricted reserves		<u>23,729</u>	<u>20,162</u>
<b>Total Reserves</b>	26	<u>26,682</u>	<u>23,132</u>

These Financial Statements were approved by the Board, and signed on the Board's behalf on 27 July 2022 by:



**B Stewart**  
**Trustee**



**D Atkinson**  
**Trustee**

The notes on pages 43 to 82 form part of these financial statements.

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**Report and Accounts for the year ended 31 March 2022**

**Cash Flow Statement**

	2022 £'000s	2021 £'000s
Cash flows from operating activities		
Operating surplus	1,722	2,063
<i>Adjustment for:</i>		
Remeasurement of pensions liability	(106)	30
Exceptional income	-	67
Cash surplus from sale of social housing	-	147
Receipt of social housing grant	-	-
Depreciation	1,452	1,452
Impairment charge	-	-
Amortisation of grants	(370)	(370)
(Increase)/ decrease in trade and other debtors	(193)	(205)
Increase/ (decrease) in trade and other creditors	350	249
Pensions deficit payments made	(512)	(594)
Net cash inflow	<u>2,343</u>	<u>2,839</u>
Interest paid	<u>(377)</u>	<u>(443)</u>
Cash flows from investing activities		
Proceeds from disposal of fixed assets	298	1
Acquisition of tangible fixed assets	(1,065)	(969)
Net cash inflow/ (outflow) from investing activities	<u>(767)</u>	<u>(968)</u>
Cash flows from financing activities		
Repayment of borrowing	(969)	(898)
Net cash outflow from financing activities	<u>(969)</u>	<u>(898)</u>
Net Increase)/ (decrease) in cash	230	530
Cash and cash equivalents at 1 April	2,195	1,665
Cash and cash equivalents at 31 March	<u><u>2,425</u></u>	<u><u>2,195</u></u>

The notes on pages 43 to 82 form part of these financial statements.

## **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 Regulator 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 2022-23 budget and three-year business plan. 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.

#### 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.

## **The Papworth Trust**

### **Report and Accounts for the year ended 31 March 2022**

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 activities.

##### *Operating leases*

Payments (excluding costs for services and insurance) made under operating leases are recognised in the Statement of Comprehensive Income 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 in the period to which they relate.

##### *Interest payable*

Interest payable and similar charges are charged to the Statement of Comprehensive Income 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.

#### 2.6 Depreciation – housing properties

Depreciation is charged to the Statement of Comprehensive Income 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:

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### Report and Accounts for the year ended 31 March 2022

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 Statement of Comprehensive Income 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

#### 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.

## **The Papworth Trust**

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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 interest 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.

#### 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

## **The Papworth Trust**

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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 the Statement of Comprehensive Income.

#### 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 2019. 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.

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 2020.

#### *Gains/Losses*

Gains or losses recognised in the Statement of Comprehensive Income 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.

## The Papworth Trust

### Report and Accounts for the year ended 31 March 2022

- 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 basis. The Trust applies service charges where applicable to schemes, ordinarily on a fixed basis, in consultation with residents. The budgets are set annually, informed by past costs and future planned activity. Any balances remaining are held as creditors or debtors in the statement of financial position until such time as all costs are recognised. 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.

## **The Papworth Trust**

### **Report and Accounts for the year ended 31 March 2022**

#### 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 for 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 the funds 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 Trustees.

##### *General reserves*

General 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 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

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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.

*Bad Debt*

Provisions are made for bad debts 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 Management, following advice from the Trust's pension's advisors.

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**3 Social Housing**

	2022	2022	2022	2021
	General	Supported	Total	Total
	Needs	Housing		
	£'000s	£'000s	£'000s	£'000s
Rent receivable (net of service charges)	922	2,633	3,555	3,516
Profit on disposal social housing assets	-	-	-	77
Service charges	-	998	998	964
<b>Net rents receivable</b>	<u>922</u>	<u>3,631</u>	<u>4,553</u>	<u>4,557</u>
Other income	-	-	-	-
<b>Total income from lettings</b>	<u>922</u>	<u>3,631</u>	<u>4,553</u>	<u>4,557</u>
<b>Expenditure on letting activities</b>				
Management	(257)	(674)	(931)	(962)
Services	(1)	(270)	(271)	(272)
Routine maintenance	(235)	(1,389)	(1,624)	(1,458)
Planned maintenance	(32)	(92)	(124)	(42)
Bad debts	(1)	(3)	(4)	(11)
Depreciation of housing properties	(183)	(1,005)	(1,188)	(1,222)
Impairment charges	-	-	-	-
Depreciation of other housing assets	(4)	(12)	(16)	(14)
<b>Total expenditure on lettings</b>	<u>(713)</u>	<u>(3,445)</u>	<u>(4,158)</u>	<u>(3,981)</u>
<b>Operating surplus on lettings</b>	<u>209</u>	<u>186</u>	<u>395</u>	<u>576</u>
Void Losses (included within the above)	(12)	(87)	(99)	(55)

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**Report and Accounts for the year ended 31 March 2022**

**3 Social housing and other activities** continued

	Turnover	Cost of sales / delivery	2022 Operating Costs	Operating Surplus
	£'000s	£'000s	£'000s	£'000s
<b>Social housing lettings</b>				
General needs	922	(441)	(272)	209
Supported housing	3,631	(2,673)	(772)	186
	<u>4,553</u>	<u>(3,114)</u>	<u>(1,044)</u>	<u>395</u>
<b>Other social housing activities</b>				
Other housing activities	23	(108)	-	(85)
Amortised grant Income	370	-	-	370
	<u>393</u>	<u>(108)</u>	<u>-</u>	<u>285</u>
<b>Non-social housing activities</b>				
Work services	2,026	(1,954)	-	72
Care services	4,039	(4,371)	-	(332)
Opportunities Without Limits	1,337	(1,393)	-	(56)
Policy & Communications	-	-	(99)	(99)
Business Development	-	-	(127)	(127)
Varrier-Jones Foundation donation	1,755	-	-	1,755
Fundraising	251	(213)	-	38
Enabling Services (Management, Finance, IT, HR and Facilities)	175	-	(552)	(377)
Investment income	242	(44)	-	198
Re-measurement of defined benefit pension liability	-	-	(30)	(30)
	<u>9,825</u>	<u>(7,975)</u>	<u>(807)</u>	<u>1,042</u>
<b>Total social housing and non-housing activity surplus</b>	<b><u>14,771</u></b>	<b><u>(11,197)</u></b>	<b><u>(1,852)</u></b>	<b><u>1,722</u></b>
Gain/ (loss) on disposal of assets				(133)
Exceptional income				-
Interest payable				(483)
Gain on investments				320
<b>Surplus for year</b>				<b><u>1,426</u></b>

# The Papworth Trust

## Report and Accounts for the year ended 31 March 2022

### 3 Social housing and other activities *continued*

	Turnover	Cost of sales / delivery	2021 Operating Costs	Operating Surplus
	£'000s	£'000s	£'000s	£'000s
<b>Social housing lettings</b>				
General needs	913	(424)	(202)	287
Supported housing	3,644	(2,783)	(572)	289
	<u>4,557</u>	<u>(3,207)</u>	<u>(774)</u>	<u>576</u>
<b>Other social housing activities</b>				
Other housing income	23	(105)	-	(82)
Amortised grant Income	370	-	-	370
	<u>393</u>	<u>(105)</u>	<u>-</u>	<u>288</u>
<b>Non-social housing activities</b>				
Work services	1,421	(1,463)	-	(42)
Care services	3,160	(3,345)	-	(185)
Opportunities Without Limits	1,286	(1,392)	-	(106)
Policy & Communications	-	-	(104)	(104)
Business Development	-	-	(189)	(189)
Fundraising	413	(53)	-	360
Varrier-Jones Foundation donation	1,720	-	-	1,720
Enabling Services (Management, Finance, IT, HR and Facilities)	149	-	(618)	(469)
Investment income	284	(40)	-	244
Re-measurement of defined benefit pension liability	-	-	(30)	(30)
	<u>8,433</u>	<u>(6,293)</u>	<u>(941)</u>	<u>1,199</u>
<b>Total social housing and non-housing activity surplus/(deficit)</b>	<b><u>13,383</u></b>	<b><u>(9,605)</u></b>	<b><u>(1,715)</u></b>	<b><u>2,063</u></b>
Gain on disposal of assets				1
Exceptional income				67
Interest payable				(491)
Gain on investments				1,826
<b>Surplus for year</b>				<b><u>3,466</u></b>

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**4 Housing Stock**

	General Needs Housing (units)	Supported Housing (units)	2022 Total (units)	2021 (units)
<b>Number of units</b>	173	490	663	663
Owned and managed	173	486	659	659
Managed on behalf of others	-	4	4	4
	173	490	663	663

**5 Expenses and auditor's remuneration**

	2022 £'000s	2021 £'000s
Included in the Statement of Comprehensive Income account are the following:		
Depreciation on housing properties	1,187	1,153
Loss on replacement of component assets	66	56
Impairment of housing properties	-	-
Depreciation on other fixed assets	264	299
Profit on sale of other fixed assets	67	1
Costs of operating leases	93	86
 Auditor's remuneration:		
Audit of these financial statements	28	26
	<u>28</u>	<u>26</u>

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**6 Staff and employee costs**

	2022	2021
	£'000s	£'000s
Staff costs		
Wages and salaries	6,618	5,871
Social security costs	578	487
Pension costs	209	202
	<u>7,405</u>	<u>6,560</u>

	2022	2021
	Number	Number
The average number of persons employed by the Trust (including directors) during the year was as follows:		
Average headcount	249	232
Average full-time equivalent employees	<u>220</u>	<u>204</u>

At 31 March 2022 outstanding pensions contributions were £1,000 (2021: £31,000).

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).

	2022	2021
Bands		
£60,000- £70,000	2	1
£70,001-£80,000	1	-
£80,001-£90,000	1	1
£90,001- £100,000	1	1
£100,001-£110,000	-	-
£110,001- £120,000	1	1

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**7 Board members and Executive Directors**

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

	2022 £'000s	2021 £'000s
Aggregate emoluments paid to Directors	425	301
Pension	43	30
	<u>468</u>	<u>331</u>
Total emoluments paid to the highest paid Director	<u>112</u>	<u>112</u>
Total number of paid Directors	4	4
Number of Directors in the defined benefit pension scheme	<u>-</u>	<u>-</u>

The 2022 costs reflect the full year costs of the Director of People Services, who was appointed to the Trust in February 2021, therefore minimal costs for this post were reflected in the year 2020/21.

In addition to the above the highest paid director received pension contributions of £11,000 (2021: 11,000).

During the year no consideration was paid to Trustees for performing their roles (2021: Nil). In the year out of pocket expenses of totalling £769 (2021: £Nil) were paid to members of the Board.

**8 Profit on disposal of tangible fixed assets**

	2022 £'000s	2021 £'000s
Proceeds from sale of assets	98	1
Cost of disposals	(231)	-
	<u>(133)</u>	<u>1</u>

During the year the Trust sold premises in Lowestoft, resulting in a book loss of £68,116, and other losses reflect the write down of component assets that were not fully depreciated at the time of replacement.

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**9 Exceptional income**

	2022 £'000s	2021 £'000s
Coronavirus Job retention scheme	-	67
	<u>-</u>	<u>67</u>

Exceptional income received in 2021 relates to claims made in relation to staff placed on Furlough, who could not reasonably perform their duties during the Covid 19 pandemic.

**10 Interest payable and similar charges**

	2022 £'000s	2021 £'000s
Interest payable on financial liabilities	377	443
Interest payable on the unwinding of the net pension deficit liability	106	48
	<u>483</u>	<u>491</u>

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<b>11 Housing properties</b>	General Needs	Supporting living	Capital work in progress	Total
	£'000s	£'000s	£'000s	£'000s
Cost				
Balance at 1 April 2021	7,027	50,307	35	57,369
Acquisitions	372	416	211	999
Allocation of work in progress	25	10	(35)	-
Disposals	(58)	(72)	-	(130)
Balance at 31 March 2022	<u>7,366</u>	<u>50,661</u>	<u>211</u>	<u>58,238</u>
Depreciation				
Balance at 1 April 2021	3,151	16,150	-	19,301
Depreciation charge for year	183	1,004	-	1,187
Disposals	(15)	(49)	-	(64)
Balance at 31 March 2022	<u>3,319</u>	<u>17,105</u>	<u>-</u>	<u>20,424</u>
Net book value				
At 31 March 2022	<u>4,047</u>	<u>33,556</u>	<u>211</u>	<u>37,814</u>
At 31 March 2021	<u>3,876</u>	<u>34,157</u>	<u>35</u>	<u>38,068</u>

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<b>12 Other fixed assets</b>	Land & Buildings £'000s	Motor Vehicles £'000s	IT Assets £'000s	Other Fixed Assets £'000s	Total £'000s
Cost					
Balance at 1 April 2021	5,763	267	322	286	6,638
Acquisitions	45	20	1	-	66
Disposals	(311)	-	(5)	(20)	(336)
Balance at 31 March 2022	<u>5,497</u>	<u>287</u>	<u>318</u>	<u>266</u>	<u>6,368</u>
Depreciation					
Balance at 1 April 2021	2,700	166	263	246	3,375
Depreciation charge for year	193	34	28	10	265
Disposals	(84)	-	(1)	(20)	(105)
Balance at 31 March 2022	<u>2,809</u>	<u>200</u>	<u>290</u>	<u>236</u>	<u>3,535</u>
Net book value					
At 31 March 2022	<u>2,688</u>	<u>87</u>	<u>28</u>	<u>30</u>	<u>2,833</u>
At 31 March 2021	<u>3,063</u>	<u>101</u>	<u>59</u>	<u>40</u>	<u>3,263</u>

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**13 Investments**

**Market Value**

	2022	2021
	£'000s	£'000s
At 1 April	9,605	7,753
Additions	3,019	3,097
Disposals	(3,273)	(2,679)
Realised gains	749	256
Unrealised (losses)/ gains	(428)	1,552
Unrealised & other movements	260	(374)
Market Value at 31 March	9,932	9,605

**Historical cost of assets**

	2022	2021
	£'000s	£'000s
Historical cost of assets	8,698	8,024
Unrealised gains	1,234	1,581
Market Value at 31 March	9,932	9,605

**Held as follows:**

	2022	2021
	£'000s	£'000s
Cash & cash equivalents	327	56
Fixed Income	1,045	1,234
UK Equities	2,120	2,041
Global Equities	4,866	5,256
Alternative Investments	1,574	1,018
Market Value at 31 March	9,932	9,605

**14 Endowment Fund Assets**

	2022	2021
	£'000s	£'000s
Cash	159	159
Investments	112	101
Property	157	157
	428	417

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**15 Properties Held for Disposal**

	2022 £'000s	2021 £'000s
Commercial property	137	137
	<u>137</u>	<u>137</u>

At the Balance Sheet date the Trust held no housing properties for sale (2021: nil). One of the Trust's commercial premises is 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**

	2022 £'000s	2021 £'000s
Trade debtors	559	314
Prepayments and accrued income	724	627
Tenant arrears	61	87
Other debtors	31	155
	<u>1,375</u>	<u>1,183</u>

**Tenant Arrears:**

	2022 £'000	2021 £'000
Current tenant arrears	61	87
- less provision for bad and doubtful debts	-	-
Former tenant arrears	50	63
- less provision for bad and doubtful debts	<u>(50)</u>	<u>(63)</u>
	<u>61</u>	<u>87</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**

	2022 £'000s	2021 £'000s
Loans (note 19)	978	938
Trade creditors	397	216
Other taxation and social security	190	191
Other creditors	841	415
Rents received in advance	157	209
Accruals and deferred income	971	883
Recycled capital grants fund	120	402
	3,654	3,254

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

	2022 £'000s	2021 £'000s
Loans (note 20)	11,604	12,614
Deferred grant income	10,320	10,690
	21,924	23,304

**Deferred grant income**

	2022 £'000s	2021 £'000s
Recycled capital grants fund	120	402
Social Housing Grants	10,293	10,655
Other grants	27	35
	10,440	11,092
Amounts falling due within one year	120	402
Amounts falling due after more than one year	10,320	10,690
	10,440	11,092

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**19 Social Housing Grants**

**Housing Grants due after one year**

	2022 £'000s	2021 £'000s
<b>Cost</b>		
Cost at 1 April	19,434	19,434
Additions/ disposals in year	-	-
Cost at 31 March	<u>19,434</u>	<u>19,434</u>
<b>Amortisation</b>		
Amortisation at 1 April	8,744	8,374
Amortisation income in year	370	370
Amortisation at 31 March	<u>9,114</u>	<u>8,744</u>
Deferred Grant income	<u>10,320</u>	<u>10,690</u>

**Recycled Capital Grant Fund**

	2022 £'000s	2021 £'000s
At 1 April	402	402
Utilised in the year	-	-
Disposed of in year	(283)	-
Interest Credited to the fund	1	-
At 31 March	<u>120</u>	<u>402</u>
Due within one year	120	402
Due after more than one year	<u>-</u>	<u>-</u>
	<u>120</u>	<u>402</u>

Of the above balance £120,000 (2021: £402,000) relates to grants that were recycled over three years previously from the date of these financial statements; there are plans to recycle these grants in the 2022/23 financial year on new developments.

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**20 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 Statement of Comprehensive Income and the Balance Sheet of the financial statements.

	2022 £'000s	2021 £'000s
Secured bank loans		
Due within one year	978	938
Due between one and two years	1,029	990
Due between two and five years	3,353	3,244
Due in greater than five years	7,223	8,380
	12,583	13,552

**Outstanding Loans by Lender**

	2022 £'000s	2021 £'000s
Orchard Brook	447	464
Lloyds	2,762	2,871
National Westminster Bank Plc	5,124	5,663
Barclays	4,250	4,554
	12,583	13,552

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**20 Loans and borrowings continued**

A loan from Orchard Brook Limited of £447,000 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.

<b>Interest rate</b>	<b>End of fixed rate period</b>	<b>£'000s</b>
Fixed 11.47%	December 2034	447

A loan from Lloyds Bank plc of £2.76 million is secured by way of fixed charges over certain properties owned by Papworth Trust. Outstanding balances are as follows:

<b>Interest rate</b>	<b>End of fixed rate period</b>	<b>£'000s</b>
Fixed 3.91%	December 2039	1,914
Fixed 2.68%	December 2039	848

The National Westminster Bank Plc loan is part of an original £10 million facility secured by way of fixed charges on certain properties owned by Papworth Trust. Total outstanding loans of £5.1m are held as of 31 March 2022 and details are as follows:

<b>Interest rate</b>	<b>End of fixed rate period</b>	<b>£'000s</b>
Fixed 7.09%	September 2024	315
Fixed 6.97%	November 2024	124
Fixed 4.57%	July 2026	400
Fixed 4.74%	February 2027	1,000
Fixed 3.61%	March 2027	900
Variable 0.69%		2,385

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:

<b>Interest rate</b>	<b>End of fixed rate period</b>	<b>£000</b>
Fixed 3.43%	July 2038	1,700
Variable 0.25%		2,550

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**21 Analysis of Net Debt**

	2022 £'000s	2021 £'000s
Net debt at 1 April	11,357	12,785
Cash flows in period	(230)	(530)
Repayment of borrowing	(969)	(898)
Balance at 31 March	10,158	11,357
Net debt made up as follows:		
Loans due in less than one year	978	938
Loans due in more than one year	11,605	12,614
Cash held	(2,425)	(2,195)
Net debt held	10,158	11,357

**22 Other Provisions**

	2022 £'000s	2021 £'000s
Balance at 1 April	206	167
Provisions made during the year	69	39
Provisions used during the year	(54)	-
Balance at 31 March	221	206

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 undertaken as to the future use of these premises by the Trust. The other lease is due for expiry in 2023.

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**23 Defined Pension Benefit Liability**

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 2022 £'000s	31 March 2021 £'000s
Fair value of plan assets	20,042	18,226
Present value of defined benefit obligation	(22,505)	(23,198)
Defined benefit (liability) to be recognised	<u>(2,463)</u>	<u>(4,972)</u>

**Reconciliation of Opening and Closing Balances of the Defined Benefit Obligation**

	31 March 2022 £'000s	31 March 2021 £'000s
Defined benefit obligation at 1 April	23,198	18,371
Current service cost	-	-
Expenses	22	25
Interest expense	509	427
Member contributions	-	-
Actuarial losses / (gains) due to scheme experience	1,258	(131)
Actuarial (gains) / losses due to changes in demographic assumptions	(353)	84
Actuarial (gains) / losses due to changes in financial assumptions	(1,788)	4,797
Benefits and expenses paid	(341)	(375)
Defined benefit obligation at 31 March	<u>22,505</u>	<u>23,198</u>

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**23 Defined Pension Benefit Liability continued**

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

	31 March 2022 £'000s	31 March 2021 £'000s
Fair value of plan assets at 1 April	18,226	16,048
Interest income	403	379
Experience on plan assets (excluding amounts included in interest income) - gain (loss)	1,241	1,580
Contributions by employer	513	594
Contributions by plan participants	-	-
Benefits paid and expenses	(341)	(375)
Fair value of plan assets at 31 March	20,042	18,226

The actual return on the plan assets (including any changes in share of assets) over the period ended 31 March 2022 was £1,644,000 (2021: £1,959,000).

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

	31 March 2022 £'000s	31 March 2021 £'000s
Expenses	22	25
Net interest expense	106	48
Defined benefit costs to be recognised	128	73

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**23 Defined Pension Benefit Liability continued**

**Defined Benefit Costs Recognised in the Statement of Changes in Reserves**

	31 March 2022 £'000s	31 March 2021 £'000s
Experience on plan assets (excluding amounts included in net interest cost)	1,241	1,580
Experience gains and losses arising on the plan liabilities	(1,258)	131
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation	353	(84)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation	1,788	(4,797)
	2,124	(3,170)

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**23 Defined Pension Benefit Liability continued**

**Plan Assets**

	31 March 2022 £'000s	31 March 2021 £'000s
Global equity	3,846	2,905
Absolute return	804	1,006
Distressed opportunities	717	526
Credit relative value	666	573
Alternative risk premia	661	686
Fund of hedge funds	-	2
Emerging markets debt	583	736
Risk sharing	660	663
Insurance- linked securities	467	438
Property	541	379
Infrastructure	1,428	1,215
Private debt	514	435
Opportunistic Illiquid Credit	673	463
High Yield	173	546
Opportunistic Credit	71	500
Cash	68	-
Corporate Bond Fund	1,337	1,077
Liquid credit	-	218
Long lease property	516	357
Secured income	747	758
Liability driven investment	5,592	4,632
Currency Hedging	(78)	-
Current assets	56	111
	20,042	18,226

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**23 Defined Pension Benefit Liability continued**

Key Assumptions

	31 March 2022	31 March 2021
	% per annum	% per annum
Discount rate	2.79	2.2
Inflation (RPI)	3.51	3.25
Inflation (CPI)	3.16	2.87
Salary Growth	4.16	2.87
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance

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

	31 March 2022	31 March 2021
	Life expectancy (years)	Life expectancy (years)
Male retiring in 2020	21.1	21.6
Female retiring in 2020	23.7	23.5
Male retiring in 2042	22.4	22.9
Female retiring in 2042	25.2	25.1

**24 Operating Leases**

	2022	2021
	£'000s	£'000s
Future minimum lease payments due are as follows:		
Less than one year	69	82
Between one and five years	51	88
	<u>120</u>	<u>170</u>

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**25 Contingent Liabilities**

The Trust receives grants and loans from Homes England and other bodies. Under the terms of these grants/ loans, amounts may be 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 Statement of Comprehensive Income 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 19 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 as a current liability.

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**26 Reserves**

**Movement in funds**

<b>£'000s</b>	<b>At 31 March 2021</b>	<b>Income</b>	<b>Expenditure</b>	<b>Investment</b>	<b>Other</b>	<b>At 31 March 2022</b>
<u>General Reserves:</u>	5,736	14,544	(11,685)	321	(2,470)	6,446
<u>Designated funds:</u>						
Fixed asset Fund	14,426	-	(1,593)	-	2,429	15,262
Pension Liabilities	-	-	-	-	2,021	2,021
<u>Restricted Funds:</u>						
Capital fund	2,331	15	(161)	-	-	2,185
Other Housing funds	32	-	-	-	-	32
First Steps to success	75	54	(38)	-	-	91
Covid recovery funds	4	27	(14)	-	-	17
Garden Studios	46	11	-	-	-	57
Wellbeing	-	45	-	-	-	45
Other funds	65	75	(42)	-	-	98
Endowment Funds	417	-	-	-	11	428
	<u>23,132</u>	<u>14,771</u>	<u>(13,533)</u>	<u>321</u>	<u>1,991</u>	<u>26,682</u>

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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The Pension liability fund relates to the remaining liability produced from the full actuarial assessment, less the value of the creditor for pension liability shown on the balance sheet.

#### 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.

Other Housing Funds represent restricted funds for various Housing Projects. These funds relate to previous local authority funding agreements for specific housing programmes.

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.

The Covid recovery appeal relates to funding received specifically to support our services due to disruption from the pandemic. These funds have supported additional staffing to reach those customers isolating in their own homes as well as provide essential equipment to customers and our staff, including tablet computers for a number of our service users.

The garden studios fund represents funding received in support of our objective to develop garden studios at three of our centres to support customer-based activities.

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

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**Report and Accounts for the year ended 31 March 2022**

**26 Reserves continued**

**Analysis of Net Assets between Funds**

<b>£'000s</b>	<b>General Reserves</b>	<b>Designated Reserves</b>	<b>Restricted Reserves</b>	<b>Endowment fund</b>	<b>Total Reserves</b>
Fixed Assets	9,931	38,462	2,186	428	51,007
Current Assets	3,598	-	339	-	3,937
Liabilities due within 1 year	(2,291)	(1,363)	-	-	(3,654)
Liabilities due after one year	(2,108)	(19,816)	-	-	(21,924)
Pension Liabilities	(2,463)	-	-	-	(2,463)
Other liabilities	(221)	-	-	-	(221)
<b>Total</b>	<b>6,446</b>	<b>17,283</b>	<b>2,525</b>	<b>428</b>	<b>26,682</b>

**27 Related parties**

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

In the year ended 31 March 2022 services were purchased totalling £17,199 (2021: £23,624), 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 £52,633 (2021: £51,600) for the provision of business support functions for the Foundation.

At 31 March 2022 the amount due from The Varrier-Jones Foundation was £146,250 (2021: £nil). The amount due to The Varrier-Jones Foundation was £nil (2021: £4,363)

The Varrier-Jones Foundation provides funding to the Trust. During the year, donations of £1,755,000 were awarded (2021: £1,720,000).

**The Papworth Trust**  
**Report and Accounts for the year ended 31 March 2022**

**28 Value for Money Metrics**

**28.1 Reinvestment**

	2022	2021
	£'000s	£'000s
Reinvestment in housing stock is as follows		
Acquisition & development of housing properties	-	-
Capital works to existing properties	999	910
Total reinvestment	<u>999</u>	<u>910</u>
Historical cost of Housing Properties	<u>58,238</u>	<u>57,369</u>
Percentage of reinvestment	<u>1.7%</u>	<u>1.6%</u>

**28.2 New Supply delivered**

	2022	2021
New supply delivered is as follows:		
New general needs units	-	-
New supported living units	-	1
Total new units	<u>-</u>	<u>1</u>
Total Units owned	<u>659</u>	<u>659</u>
Percentage of new supply	<u>0.0%</u>	<u>0.2%</u>

**The Papworth Trust**  
**Report and Accounts for the year ended 31 March 2022**

**28 Value for Money Metrics continued**

**28.3 Gearing**

	2022	2021
	£'000s	£'000s
Gearing is made up as follows:		
Loans due in less than one year	978	938
Loans due in more than one year	11,605	12,614
Cash held	(2,425)	(2,195)
Net debt held	<u>10,158</u>	<u>11,357</u>
Historical cost of Housing Properties	<u>58,238</u>	<u>57,369</u>
Gearing	<u>17.4%</u>	<u>19.8%</u>

**28.4 Interest cover**

	2022	2021
	£'000s	£'000s
EBITDA MRI is made up as follows:		
Operating Surplus for Social Housing Activities	395	576
Add back depreciation for Housing Units	1,187	1,153
Less Amortisation of government grants	(370)	(370)
	<u>1,212</u>	<u>1,359</u>
Interest payable	<u>377</u>	<u>443</u>
EBITDA MRI	<u>322%</u>	<u>307%</u>

**The Papworth Trust**  
**Report and Accounts for the year ended 31 March 2022**

**28 Value for Money Metrics continued**

**28.5 Social Housing costs per unit**

	2022	2021
	£'000s	£'000s
Per unit housing costs is made up as follows:		
Management costs	931	950
Maintenance costs	725	787
Service charge costs	1,315	1,022
Depreciation	1,187	1,222
	<hr/> 4,158	<hr/> 3,981
Total number of units	<hr/> 663	<hr/> 663
Total cost per unit	<hr/> 6.3	<hr/> 6.0
	<hr/>	<hr/>

**The Papworth Trust**  
**Report and Accounts for the year ended 31 March 2022**

**28 Value for Money Metrics continued**

**28.6 Operating margin**

	2022	2021
	£'000s	£'000s
Operating margin is made up as follows		
Operating surplus from general needs	209	287
Operating surplus from supporting living	186	289
Total Operating Surplus	<u>395</u>	<u>576</u>
Revenue from general needs	922	913
Revenue from supported living	3,630	3,644
Total revenue	<u>4,552</u>	<u>4,557</u>
Operating margin from general needs	22.7%	31.4%
Operating margin from supported living	5.1%	7.9%
Total operating margin	<u>8.7%</u>	<u>12.6%</u>

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

**The Papworth Trust**  
**Report and Accounts for the year ended 31 March 2022**

**28 Value for Money Metrics continued**

**28.8 Return on Capital Employed (ROCE)**

	2022	2021
	£'000s	£'000s
ROCE is made up as follows		
Operating Surplus for Social Housing Activities	395	576
Loss on disposal of fixed assets	-	-
Adjusted operating surplus	<u>395</u>	<u>576</u>
Net book value of housing properties	37,814	38,068
Current assets	3,938	3,516
Current liabilities	(3,654)	(3,254)
Total assets less current liabilities	<u>38,098</u>	<u>38,330</u>
ROCE	<u>1.0%</u>	<u>1.5%</u>

# **The Papworth Trust**

## **Report and Accounts for the year ended 31 March 2022**

### **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**

Brian Stewart OBE

#### **VICE-CHAIR OF TRUSTEES**

Patrick Hughes

#### **HON. TREASURER**

Mike Anderson

#### **OTHER TRUSTEES**

David Atkinson

Jane Carmichael

Wes Cuell - retired 22 July 2021

Isabel Noronha-DiVanna – resigned 31 March 2022

Andy Hirst

Elizabeth Jessop

Christina Olubukola Orekogbe – appointed 22 July 2021, resigned 27 April 2022

Vanessa Stanislas

Andrew Williams

Rick Rogers – appointed 22 April 2022

#### **EXECUTIVE TEAM**

Sarah Miller	Chief Executive Officer
Mark Blake	Director of Finance and IT
Helena Harris	Director of Operations and Development
Sarah Harvey	Director of People and Culture

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

The register of members is maintained at the registered office.

**The Papworth Trust**  
**Report and Accounts for the year ended 31 March 2022**

**Principal Advisers and general Trust information**

**COMPANY SECRETARY**

Mr M Blake

**REGISTERED OFFICE**

1 Saxongate  
Bradbury Place  
Huntingdon  
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Telephone: (01480) 357200  
www.papworthtrust.org.uk  
info@papworthtrust.org.uk

**INVESTMENT MANAGERS**

Sarasin & Partners  
Juxon House  
100 St Pauls Churchyard  
London  
EC4M 8BU

**BANKERS**

Barclays Bank plc  
Level 12  
1 Churchill Place  
Canary Wharf  
London  
E14 5HP

Lloyds Bank PLC  
10 Gresham Street  
London  
EC2V 7AE

**PENSION MANAGERS/PROVIDERS**

**The Defined Benefit Scheme**

The Pensions Trust  
Verity House  
6 Canal Wharf  
Leeds  
LS11 5BQ

**AUDITORS**

RSM UK Audit LLP  
Blenheim House  
Newmarket Road  
Bury St Edmunds  
Suffolk  
IP33 3SB

**SOLICITORS**

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Merlin Place  
Milton Road  
Cambridge  
CB4 0DP

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Lending Operations  
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EC2M 4AA

Triodos Bank UK  
Deanery Road  
Bristol  
BS1 5AS

**Pensions Adviser**

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Ruxley House  
2 Hamm Moor Lane  
Addlestone  
Surrey  
KT15 2SA

## **The Papworth Trust**

### **Report and Accounts for the year ended 31 March 2022**

#### **A thank you to our Notable Partners and Donors**

Varrier-Jones Foundation

Deloitte LLP

John Lewis Foundation

Anglian Water Positive Difference Fund

Cambridgeshire Community Foundation

Suffolk Community Foundation

Maypole House Charitable Fund

Diana Tinson Fund

Essex Community Foundation

Ganzoni Charitable Trust

Douglas Compton James Charitable Trust in the name of St Crispin Lodge

Garfield Weston Foundation

St John Eastwood Foundation

The Marshalls Community First Fund

The Dudley and Geoffrey Cox Charitable Trust

The Grey Court Trust

National Lottery Funding

Cambridge City Council

Ipswich Community Cash Grant

Arts Council England

Cambridgeshire County Council – DWP Work and Health Programme and

Physical Activity Intervention

#### **Appreciation for Legacies received**

Gregor Stephen Ross