

**Report and financial statements for  
the year ended 31 March 2018**

**Registration number: 25597R**

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#### Introduction

The Board presents their report and accounts for the year ended 31 March 2018. The accounts have been prepared in accordance with the accounting policies set out on pages 18-20. The report and accounts comply with the Co-operative and Community Benefit Societies Act 2014 and Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard 102 applicable in the UK and Republic of Ireland published on 16 July 2014.

#### Change of name

In May 2017, we changed our name from Second Step Housing Association Limited to Second Step Limited.

#### Public Benefit Statement

In setting our objectives and planning our activities the Board has given careful consideration to the Charity Commission's general guidance on public benefit.

#### About us and our objectives

Second Step is a leading mental health charity in the South West providing support, housing and hope to thousands of people with mental health problems. Based in Bristol, we also work in North Somerset, South Gloucestershire and in Bath and North East Somerset and are ambitious to expand into new areas.

Second Step is an exempt charity. Its objects (as stated in our rules) shall be to carry on, for the benefit for the community:

- The business of providing and managing housing and social housing and providing assistance to help house people and associated facilities and amenities or services for poor people or for the relief of aged, disabled (whether physically or mentally) or chronically sick people;
- Any other charitable object that can be carried out from time-to-time by an Industrial and Provident Society.

#### Mission Statement

We promote mental health and wellbeing by supporting people and communities to build brighter futures.

#### Our approach

We believe in a world where everyone affected by mental health problems can create a positive future.

## Report of the Board for the year ended 31 March 2018

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We support people in all aspects of their lives, and we do this in four main ways by helping people:

- Become mentally and physically healthy
- Have a home and decent housing
- Be part of their community
- Find a purpose through volunteering, developing skills and employment

### Our Values

Underpinning the vision and plan of action to achieve Second Step's objectives are clear values:

- **Believing in hope and courage** – Recovery becomes a reality when we are confident, courageous and inspire hope in one another. Change happens and we can achieve great things
- **Succeeding together** – We're at our best when we work together – staff, service users, carers and partners – making the most of each other's talents and strengths
- **Building Trust** – When we act with integrity, when we strive to be honest with ourselves and those around us, we can build strong bonds of trust
- **Celebrating Diversity** – We value our differences, understanding that being kind and respectful to each other makes us strong
- **Learning and growing** – By listening and thinking about how we can learn from our actions, we can help to create real change for ourselves and inspire those around us

### Principle Activities

Second Step achieves its objectives by delivering support contracts for local authorities, NHS trusts and Clinical Commissioning Groups across the West of England, as well as undertaking pilot projects to identify new ways to support people and enact system change.

Our key streams of activity are as follows:

- Provision of Community Mental Health Services under the Bristol Mental Health pathway provision as a sub contractor for Avon and Wiltshire Mental Health Partnership NHS Trust (AWP);
- Lead contractor for the provision of the Community Rehabilitation Service under the Bristol Mental Health pathway provision;
- Lead agency for a BIG Lottery Fulfilling Lives programme (Golden Key) in Bristol;
- Floating support and community supported accommodation;
- Tenancy and housing support; as well as managing 131 residential units on behalf of housing associations who are registered providers (registered with Homes England);
- Psychological therapies – in North Somerset under the Positive Step contract with AWP and in Bristol and South Gloucestershire under an "Any Qualified Provider" basis; and
- Volunteering and mentoring.

## **Performance Review and Achievements**

In 2017 we celebrated 30 years of putting mental health first for individuals and communities and are looking forward to building on this good work for the next 30 years.

2017-18 saw big changes to the Supporting People services and a period of consolidation for Mental Health and Golden Key services.

### **1. Community Mental Health Services**

Second Step leads the delivery of the Community Rehabilitation Service across Bristol, sub-contracting some elements to AWP NHS Trust and Missing Link. During the year we supported 162 individuals (2016-17 – 132) against a target of 130 through accommodation and community support. 52% of clients discharged were discharged to GP services, which is an excellent result for services where people have long-term mental health needs. During the year we won the Third Sector Care award for Collaboration.

Second Step is also a sub-contractor to AWP in the provision of Assessment and Recovery, Crisis and Early Intervention services. Second Step led in introducing and embedding nine different Voluntary and Community Sector (VCS) roles within the model throughout the Assessment and Recovery Team, Crisis and Early Intervention teams at AWP. We have been involved in proposals for a number of pilots for trialling new models in care, and have just begun a primary care pilot.

As part of this sub-contract, Second Step also runs the Bristol Wellbeing College, which provides a range of recovery, wellbeing and educational courses to service users of Bristol Mental Health services, and Carers. During 2017-18 we delivered courses to 901 learners (301 unique learners).

### **2. Golden Key**

Golden Key is a partnership of 19 organisations from Bristol. Second Step is the lead accountable agency for this partnership. We work together to improve services for Bristol citizens with the most complex needs.

The partnership is an eight-year pilot funded by the Big Lottery. Our work is continuously and independently evaluated. This is so lessons can be learned about how services can be made better for the most vulnerable – not just here in Bristol but across the whole of the UK.

We completed our third year of the Programme in June 2017. During the year we worked successfully with 150 clients (up from 139 in the previous year)

We have begun a number of influential pilot projects in Bristol which are creating further opportunities for learning across the city. These include a Housing First project for ten service users, a Social Impact Bond and a Personality Disorder project. We have played an important role in the new Bristol Leadership Challenge programme sponsored by the Bristol City Mayor.

### 3. Supported Housing and Floating Support

During 2017-18 Bristol City Council re-organised the provision of medium and high support. Our existing services transitioned into new "homelessness pathways" block contracts in October 2017. Under this approach there are four pathways; Second Step is the lead contractor on the Mixed Pathway (working with three sub-contractors) and is a sub-contractor to the Salvation Army on the Men's Pathway.

Because the contracts began fairly recently, it is too early for robust and comparative performance data. However, we believe the partnership approach positions us well to learn from other providers, influence sustainable change in the system and provide innovative approaches to reduce homelessness.

We continued to provide Community Supported Accommodation services in Bristol, although due to low spot contract rates it has proved difficult to make this contract financially viable. We are continuing to explore ways the service could be remodelled while still providing quality mental health support in the community.

Our Floating Support services in North Somerset and Bath and North East Somerset (BANES) continued to deliver tailored support to very vulnerable individuals, with good outcomes. Unfortunately, due to local authority budget cuts, we lost our funding to provide the North Somerset service, which closed on 28 March 2018.

### 4. Psychologically Informed Therapies

We provide services as part of the national Improving Access to Psychological Therapies (IAPT) programme in North Somerset, Bristol and South Gloucestershire.

In North Somerset, this service is called Positive Step and is provided in partnership with AWP. During the year we worked with 3,794 service users and have hit or exceeded all of our KPIs. For example, 100% of clients have been contacted within target referral dates, and we have achieved the programme's recovery target of 50%.

We also provide Wellbeing Therapies in Bristol and South Gloucestershire under a different model - the "Any Qualified Provider" basis works on a spot purchase basis to the Bristol, North Somerset and South Gloucestershire Clinical Commissioning Group (BNSSG). As the outcome data does not belong to us and is aggregated with other providers it has been difficult to measure individual impacts. We worked with fewer clients in 2017-18 compared to 2016-17 (509 compared to 924) due to reduced opportunity. However, we have demonstrated good recovery rates with higher intensity therapies.

The IAPT services will be retendered in 2018-19 across Bristol, North Somerset and South Gloucestershire.

We ran a small pilot (Bristol Ageing Better), providing psychological support to older people in their own homes to reduce isolation. With excellent outcomes, we have secured a further two year contract.

### 5. Volunteering and other services

Second Step continues to develop its volunteering team to complement and enhance services across the organisation. We continue to emphasise the importance of

recruiting people with their own experience of mental health problems and other issues such as homelessness and drug and alcohol dependency. We believe this peer experience adds value to the quality and effectiveness of our services.

In 2017-18 we had 124 volunteers (51% of whom had lived experience), contributing 7,345 hours of support through a range of activities. 100% of our volunteers would recommend volunteering with us. 67% of volunteers say their confidence has increased through volunteering, with 100% saying their confidence has increased or stayed the same). 71% report an improvement in skills and 50% say their mental health has improved.

We delivered a number of other services during the year, including a continuation of the Oak Foundation funded United Peers (UP) project.

## **6. Organisational development**

As an organisation, we conducted a review and restructure of the senior management and corporate service teams. The new structures began to operate in December 2018. We also refreshed our values (see pages 1-2) which were launched at the end of 2016-17. Our Next Steps project, working with our Staff Forum, is further embedding our new brand.

### Financial review

The Board reports a surplus for the year of £280,000 (2016-17 – deficit of £4,000) which reflects lower operating costs (last year's results incorporated investments in rebranding, training and new business).

Income for 2017-18 was £10.2m, the same as the previous year. Costs fell by 3.3%. Contribution from services (income less direct costs of services) increased from 18% to 19%. Overheads decreased by 12%. These results can be attributed to lower agency costs and savings in some central administration costs, for example IT, office costs and consultancy costs.

While this has been a good result compared to the previous year, and all contracts bar one are now delivering a positive contribution, there are a number of challenges in future years. We continue to operate in an environment of decreasing public sector funding, with recent business either being retained on a non-inflationary basis or with reduced funding, and other services being cut completely. There will be future challenges to keeping operating costs low, even with greater efficiencies – for example with the current challenges in the Bristol housing and office market.

Three significant long term contracts now account for 56% of our income: Community Mental Health, Community Rehabilitation, and Golden Key. This represents slightly more diversification than last year but we continue to seek new sources of income, especially to fund innovative ways of working and to be able to provide support beyond contracted services.

Our net assets have increased due to investment in a new housing scheme and in IT equipment. Creditors (and cash) have reduced because of settlement of a large balance due to a partner organisation.

At the year end we have £2.0m of Unrestricted Reserves (2016-17 £1.8m) which is in excess of our minimum required of £1.2m per our Reserves Policy – see the Reserves note below.

### Reserves Policy

Reserves are categorized into two main headings, Restricted and Unrestricted:

1. Restricted Funds – funds received under a restriction applied by the donor to spend on a particular activity as defined in contractual terms and reference. For accounting purposes any loss occurred at the end of the year is transferred to the restricted funds from the generated funds.
2. Unrestricted Funds – in order to ensure the continuing health of Second Step, invest in new assets, provide a working balance to help cushion the impact of uneven cash flows, avoid unnecessary use of borrowing and to meet its contractual obligations to clients and staff in the event of termination (or part cessation) of contracts.



**Report of the Board for the year ended 31 March 2018**

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The Board is responsible for ensuring the adequacy of Unrestricted Reserves when it sets the budget for the next financial year. The reserves are reviewed at least annually and at any other time the Board considers appropriate.

Second Step has adopted a tiered approach to set a minimum level of Unrestricted Reserves:

1. Applying a risk identification approach to future service related cash flows
2. Identifying specific liabilities that might crystallise in worst case scenarios; and
3. Allowing for investment in major projects.

Following the above procedure, Second Step has set £1.2m as the minimum level of unrestricted reserves for 2017-18. This was reviewed in May 2018 and kept at the same level for 2018-19.

**Risk Management**

The Senior Management Team is responsible for ensuring there is a robust system of risk identification and recording across the organisation. Top risks are identified through this process and reported to the Board.

The top risks currently identified (March 2018) are;

- Increased complexity of need of our service users
- Changes in government / local authority / NHS policy and structures
- Strong Competition
- Inability to achieve adequate financial contribution on all individual services

These risks have informed our business plan objectives for 2018-19 which are set out below.

**Plans for the Future**

We are in the third year of our 2016-19 business plan. Key activities for 2018-19 are:

- Delivering our housing strategy. In order to support our service users we need to increase and diversify our access to property, whether through acquisition, or strategic partnerships with like-minded organisations. There is much more demand for supported housing and step-down facilities than we are currently able to meet;
- Expanding our Communications and Public Affairs Strategy to talk more widely about mental health at a local, regional and national level to influence policy and funders;
- Promoting our existing successful mental health programmes to commissioners across wider areas to retain existing and win new business;
- Embedding the new Homelessness Pathways models, working in partnership with other organisations across Bristol;

- Delivering refreshed strategies for recovery, peer support and psychologically informed environments (PIE);
- Embedding our new values and culture throughout the organisation;
- Building a stronger client voice to learn from their experience, providing further opportunities for clients to influence change within the organisation and the systems more widely;
- Implementing a targeted strategy to increase black/minority ethnic (BME) staff throughout the organisation especially at managerial level, so that we can reflect better the communities we serve; and
- Strengthening our infrastructure through investments in client management and HR systems to ensure the organisation runs efficiently and effectively.

During 2018-19 we will also update our business plan for the next three years, setting out how we will meet more people's needs and strengthen our position as the partner of choice for mental health services in Bristol and the West of England.

## Structure, Governance and Management

### *Governing documents*

Second Step is registered as an exempt charity under the Co-operative and Community Benefit Societies Act 2014. It is governed by its Model Rules dated 21 November 2013. Second Step is a member of the National Housing Federation and has based its Model Rules on the National Housing Federation Model Rules (2011). Second Step's share capital is raised by the issue of shares and each share has the nominal value of one pound. There are currently 53 members and when a shareholder ceases to be a shareholder their share is cancelled.

Interested individuals can apply to become shareholders of Second Step by applying through the application process. New shareholders are approved by the Board. Our rules detail any exclusion.

### *The Board*

The Board members (who are also the directors of Second Step for the purpose of company law) are listed on page 10.

The Board meets at least four times every calendar year.

Board members are recruited to ensure a wide range of skills, qualities and experience are represented. This is assessed against a skills audit and equal opportunities monitoring. Advertising for potential new members is targeted to reach particular skills groups. Up to three Board places are reserved for current and former Second Step service users. These Board members are recruited via an interview process which mirrors the normal Board recruitment process.

Funds are set aside to provide Board training where necessary to ensure Second Step has a sufficiently skilled Board to effectively deliver Second Step's aims and objectives.

All Board Members are required to disclose all relevant interests and register them with the Chief Executive and, in accordance with organisation's policy, withdraw from decisions where a conflict of interest arises. None of the board members have interests with the business of Second Step, but any such interest would be disclosed.

#### *Committees*

There are two board sub-committees. The Business Development, Finance and Audit committee considers new business opportunities, reviews quarterly financial information and approves investment decisions. The Service Quality Committee oversees performance reporting and quality.

#### **Senior Management**

The day to day management of the organisation is delegated to the Senior Management Team.

During 2017-18 we moved from having an Executive Management Team (consisting of the Chief Executive, the Director of Finance and IT and the Director of Services) to a bigger Senior Management Team (listed on page 10).

#### **Key Management Personnel Remuneration**

The Board considers the Senior Management Team as the key management personnel of Second Step responsible for directing and running the operations on day to day basis. All Non Executive Board Members, except the Chair, give their time freely and no remuneration was paid during the year. Second Step has a paid Chair of the Board (See note 19 for Chair's fees).

The Chair's Fees and the salaries of the Chief Executive and Senior Management Team are reviewed on average every three years by the Board in line with our Pay Policy. Our pay review process for these senior posts is informed by the median quartile figure as advised by an external consultant through market testing; the salary is benchmarked against similar roles in similar activities so as to ensure that the remunerations are set fairly.

## Reference and Administrative Information

### 1. Non Executive Board Members

Graham Russell	Chair of the Board
Liz Hine	Vice Chair of the Board
Simon Nunn	
Eithne Burt (resigned 3 February 2018)	
Todd Lochhead	
Carrie Pooler	
Paddy Cooney	
Gerry Monaghan (resigned 29 September 2017)	
Richard Gleave (joined 29 September 2017)	

### 2. Senior Management Team

Aileen Edwards*	Chief Executive
Jessica Slack *	Director of Finance & IT (from 23 July 2017)
Gerry Duffy	Interim Director of Finance (to 23 July 2017)
Bryony Campbell**	Senior Operations Manager
Chris Kinston**	Senior Operations Manager
Michael Pearson**	Senior Operations Manager
Hannah Mahoney**	Golden Key Programme Manager
Lynda Damario**	Human Resources Manager

\*Executive Board members

\*\* From December 2018 following restructure

### 3. Registered Office

9 Brunswick Square, Bristol, BS2 8PE

### 4. Registration Number

25597R

Registered as an exempt charity under the Co-operative and Community Benefit Societies Act 2014

### 5. Bankers

National Westminster Bank plc.  
21a Somerset Square, Bristol, BS19 2GE

### 6. Auditors

RSM UK Audit LLP  
Registered Auditors  
Davidson House, Forbury Square  
Reading RG1 3EU

**Report of the Board for the year ended 31 March 2018**

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**Board Responsibilities in Relation to Financial Statements**

The Co-operative and Community Benefit Societies Act 2014 requires the Board to prepare financial statements for each financial year which give a true and fair view of the state of affairs of Second Step and of its income and expenditure for that period.

In preparing these financial statements, the Board is required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities Statement of Recommended Practice (SORP);
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that Second Step will continue in business.

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of Second Step and enable it to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014. It has general responsibility for taking reasonable steps to safeguard the assets of Second Step and to prevent and detect fraud and other irregularities.

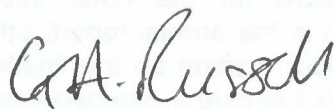
**Disclosure of information to auditors**

As far as each board member is aware and has made enquiries of fellow board members, each member confirms that:

- to the best of their knowledge and belief there is no information that would be required by the auditors in connection with the preparation of this report of which Second Step's auditors are unaware; and
- each board member has taken all steps that they might reasonably have taken to be aware of relevant audit information and to establish that Second Step's auditors are aware of that information.

**Approval**

This report was approved by the Board on 3 August 2018 and signed on its behalf.



**Graham Russell**  
**Chair of the Board**

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SECOND STEP LIMITED  
FOR THE YEAR ENDED 31 MARCH 18

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**Opinion**

We have audited the financial statements of Second Step Limited (the 'Society') for the year ended 31 March 2018 which comprise the statement of financial activities, the balance sheet, the statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Society's affairs as at 31 March 2018 and of its income and expenditure for the year then ended; and
- comply with the requirements of the Co-operative and Community Benefit Societies Act 2014.

**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 Society in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Conclusions relating to going concern**

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

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

**Other information**

The committee of management is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. 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.

## SECOND STEP LIMITED

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SECOND STEP LIMITED FOR THE YEAR ENDED 31 MARCH 18

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In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

#### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Co-operative and Community Benefit Societies Act 2014 requires us to report to you if, in our opinion:

- proper books of account have not been kept by the Society in accordance with section 75; or
- a satisfactory system of control over transactions has not been maintained by the Society in accordance with section 75; or
- the revenue account, and the balance sheet are not in agreement with the books of account of the Society; or
- we have not obtained all the information and explanations which, to the best of our knowledge and belief, we consider necessary for the purposes of our audit.

#### **Responsibilities of the Committee of Management**

As explained more fully in the Statement of the Committee of Management's Responsibilities set out on page 11, the committee is 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 committee 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 committee is responsible for assessing the Society'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 committee either intend to liquidate the Society 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SECOND STEP LIMITED

FOR THE YEAR ENDED 31 MARCH 18

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

**Use of our report**

This report is made solely to the Society's members, as a body, in accordance with the provisions of section 87 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Society'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 responsibility to anyone other than the Society and the Society's members as a body, for our audit work, for this report or for the opinion we have formed.

**RSM UK Audit LLP**

RSM UK AUDIT LLP  
Statutory Auditor  
Chartered Accountants  
Davidson House, Forbury Square  
Reading, Berkshire  
RG1 3EU

Date: **6 August 2018**



**SECOND STEP LIMITED**

**STATEMENT OF FINANCIAL ACTIVITIES**

**FOR THE YEAR ENDED 31 MARCH 18**

		Unrestricted funds 2018	Restricted funds 2018	<b>Total funds 2018</b>	<i>Total funds 2017</i>
	NOTES	£'000	£'000	<b>£'000</b>	£'000
<b>INCOME:</b>					
Income from charitable activities	2	8,801	1,440	<b>10,241</b>	10,286
Income from generated funds:					
Investment income	5	1	-	<b>1</b>	9
<b>TOTAL INCOME</b>		<b>8,802</b>	<b>1,440</b>	<b>10,242</b>	<b>10,295</b>
<b>EXPENDITURE:</b>					
Charitable activities	3	8,731	1,231	<b>9,962</b>	10,298
<b>TOTAL EXPENDITURE</b>		<b>8,731</b>	<b>1,231</b>	<b>9,962</b>	<b>10,298</b>
Net Income/(Expenditure) before gain/losses on investments		71	209	<b>280</b>	(4)
Transfer between funds		205	(205)	-	-
<b>NET MOVEMENT IN FUNDS</b>		<b>276</b>	<b>4</b>	<b>280</b>	<b>(4)</b>
<b>TOTAL FUNDS BROUGHT FORWARD</b>		<b>1,748</b>	<b>33</b>	<b>1,781</b>	<b>1,785</b>
<b>TOTAL FUNDS CARRIED FORWARD</b>		<b>2,025</b>	<b>37</b>	<b>2,061</b>	<b>1,781</b>

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

The net movement in funds for the year relate wholly to continuing activities.

The notes on pages 18 to 33 form part of these financial statements.

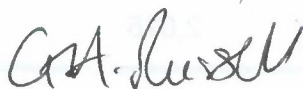
SECOND STEP LIMITED

BALANCE SHEET AT 31 MARCH 2018

	NOTES	2018	2017
		£'000	£'000
<b>FIXED ASSETS</b>			
Intangible fixed assets	8	71	56
Tangible fixed assets	9	109	33
Fixed asset investments	10	16	-
		<u>196</u>	<u>89</u>
<b>CURRENT ASSETS</b>			
Debtors	11	841	843
Current asset investments		-	-
Cash at bank and in hand		3,681	3,906
		<u>4,522</u>	<u>4,749</u>
CREDITORS: amounts falling due within one year	12	(2,551)	(2,967)
Net current assets		<u>1,971</u>	<u>1,782</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>2,167</b>	<b>1,871</b>
Provisions for liabilities	13	(105)	(90)
<b>NET ASSETS</b>		<b><u>2,062</u></b>	<b><u>1,781</u></b>
<b>CAPITAL &amp; RESERVES</b>			
Called up share capital	14	0	0
Restricted funds	15	37	33
Unrestricted funds	15	2,025	1,748
Net funds		<u>2,062</u>	<u>1,781</u>

The financial statements were approved by the Board on 3 August 2018.

G. Russell – Chair



T. Lochhead – Board Member



J. Slack – Company Secretary



The notes on pages 18 to 33 form part of the financial statements.

## SECOND STEP LIMITED

### STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2018

	NOTES	2018 £'000	2017 £'000
NET CASH USED IN OPERATING ACTIVITIES:	20	(48)	232
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest income on investing activities		1	9
Investment in Social Impact bond		(16)	-
Purchase of tangible and intangible fixed assets		(162)	(79)
NET CASH FROM INVESTING ACTIVITIES:		(177)	(70)
CHANGES IN CASH EQUIVALENTS IN THE YEAR:		(225)	162
CASH AND CASH EQUIVALENTS BROUGHT FORWARD:		3,906	3,744
CASH AND CASH EQUIVALENTS CARRIED FORWARD:		3,681	3,906

The notes on pages 18 to 33 form part of the financial statements.

## 1. PRINCIPAL ACCOUNTING POLICIES

Second Step Limited is registered under the Co-operative and Community Benefit Societies Act 2014.

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies is set out below.

### (a) Basis of accounting

The financial statements have been prepared under the historical cost convention with items recognised at cost or transaction value unless otherwise stated in the relevant note(s) to these accounts. The financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102). The financial statements are presented in Sterling (£) and rounded to the nearest thousand pounds.

Second Step Limited meets the definition of a public benefit entity under FRS 102.

### (b) Going Concern

After reviewing the organisation's forecasts and projections, the board has a reasonable expectation that the organisation has adequate resources to continue in operational existence for the foreseeable future. The organisation therefore continues to adopt the going concern basis in preparing its financial statements.

### (c) Income

Income represents commercially agreed contract values for provision of services, rental and service charge income receivable, net of rent and service charge losses from voids, fees and grants from local authorities and other income.

Income is recognised in the period to which they relate. Any income deferred to the following year is shown under creditors and none is expected to be deferred beyond one year.

### (d) Expenditure

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

### (e) Intangible Fixed assets

Intangible Fixed assets are stated at cost, less accumulated amortisation. The minimum value of an item recognised as an Intangible fixed asset is £1,000. Amortisation of the intangible assets is provided at the following annual rates to write off each item over its expected useful life, as follows:

Intangible assets

Three years

## SECOND STEP LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 31 MARCH 2018

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**(f) Tangible fixed assets**

Tangible fixed assets are stated at cost, less accumulated depreciation. The minimum value of an item capitalised as a tangible fixed asset is £1,000.

Depreciation is provided at the following annual rates in order to write off each asset over its expected useful life, as follows:

Office equipment	Five years
IT equipment	Three years
Fixtures, fittings and furnishings	Two years
Leasehold improvements	the remaining term of the lease

**(g) Fund accounting**

General funds are unrestricted which are available for use at the discretion of the Board of directors in furtherance of the general objectives of the charity and which have not been designated for other purpose. Restricted funds represent income contributions which are restricted to a particular purpose, in accordance with the donor's wishes.

**(h) Provisions for liabilities**

In calculating the expected dilapidations provision to be provided for, the board make judgements based on the expected obligation of the organisation using historic data and experience.

**(i) Operating leases**

Rentals payable under operating leases are charged to the income and expenditure account as incurred over the term of the lease.

**(j) Pension costs**

All employees on a permanent or fixed term contract are entitled to become members of the Second Step Group Personal Pension Plan, which is a defined contribution scheme. Depending on the employee's level of contribution, Second Step contributes a percentage (currently 3% or 6%) of the member's basic gross salary into the scheme (or into previous schemes run by or approved by Second Step). The pension charge represents the amounts payable by Second Step to the schemes in respect of the year. The assets of the schemes are held separately from those of Second Step in independently administered funds.

**(k) Cost Allocation Principles**

Costs not directly incurred within the contract streams, other than organisational development and governance, are allocated to contract based on direct costs incurred within those contracts.

**(l) Financial Instruments**

Second Step only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value.

**(m) Judgements and key sources of estimation uncertainty**

In the application of the accounting policies the board are required to make judgements, estimates and assumptions about the carrying value of assets and liabilities that are not readily apparent from other sources. The estimates and

associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

**SECOND STEP LIMITED****NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 MARCH 2018****2. INCOME FROM CHARITABLE ACTIVITIES**

	2018 £'000	2017 £'000
Community Mental Health Services	4,448	4,765
Supporting People Services	2,249	2,166
Housing Management	1,167	1,100
Psychologically informed therapies	725	756
Golden Key (BIG Lottery Grant)	1,356	1,201
Other Services	297	296
	<u>10,242</u>	<u>10,284</u>

Within the income shown above there was restricted income of £1,440,000 (2017 - £1,315,000) relating to income receivable from the BIG Lottery (for the Golden Key project) and the Oak Foundation.

**3. ANALYSIS OF CHARITABLE EXPENDITURE**

	Charitable Activity £'000	Support and Governance Cost £'000	TOTAL 2018 £'000	TOTAL 2017 £'000
Community Mental Health Services	3,197	702	3,899	4,181
Supporting People Services	1,909	453	2,362	2,654
Housing Management	1,133	43	1,176	1,097
Psychologically informed therapies	614	184	798	824
Golden Key (BIG Lottery Grant)	1,150	251	1,401	1,270
Other Services	261	65	325	273
	<u>8,264</u>	<u>1,698</u>	<u>9,961</u>	<u>10,298</u>

Within the expenditure shown above £1,231,000 (2017 - £1,351,000) related to expenditure on the Golden Key project and the Oak Foundation.

The breakdown of support costs and how these were allocated between governance and other support costs is shown in the table below:

**SUPPORT & GOVERNANCE COSTS ALLOCATIONS**

	2018	2017	
	£'000	£'000	Basis of apportionment
Staff Costs	1,229	1,324	Staff costs
Office Rental and Costs	149	177	Staff costs
Telephone & internet Charges	28	26	Staff costs
Repairs & Decorations	8	15	Staff costs
Insurance	31	31	Staff costs
IT Costs	101	118	Staff costs
Publicity	17	51	Staff costs
Depreciation & Dilapidation	64	51	Staff costs
Service User Participation and Other Costs	8	14	Staff costs
Consultancy Costs	42	92	Staff costs
	<b>1,677</b>	<b>1,899</b>	
<b>Governance Costs</b>	2018	2017	
	£'000	£'000	
Annual Audit Services	14	14	
Board Travel Expenses	1	2	
Training for Board	1	0	
Chair's Fee	6	6	
	<b>22</b>	<b>22</b>	
<b>Total allocated Support and Governance Costs</b>	<b>1,698</b>	<b>1,921</b>	

During the year, three board members claimed travel expenses.

Support Costs comprised of those central management costs which are not directly attributable to the activity streams. The support and governance costs were apportioned among the activity streams based on staff costs incurred during the period.



**SECOND STEP LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MARCH 2018**

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**4. NET INCOME / (EXPENDITURE)**

This is arrived at after charging:

	2018	2017
	£'000	£'000
Auditors' remuneration for audit services	14	14
Losses from bad debts	31	13
Depreciation	71	36
Operating leases - land and buildings	97	79
Operating leases - other	2	3

**5. INTEREST RECEIVABLE AND SIMILAR INCOME**

	2018	2017
	£'000	£'000
Income from Cash and Investments	1	9

**6. STAFF COSTS AND REMUNERATIONS OF KEY MANAGEMENT PERSONNEL**

The average monthly number of persons employed by Second Step during the year, expressed as number of people employed, was:

	2018	2017
	No.	No.
Direct staff	146	151
Administrative staff	44	44
Management	27	20
<b>Total Staff</b>	<b>217</b>	<b>215</b>

## SECOND STEP LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 31 MARCH 2018

Total salary costs were:

	2018 £'000	2017 £'000
Wages and salaries	4,880	4,720
National Insurance Costs	358	361
Pension Contributions	227	217
<b>Total Staff</b>	<b>5,465</b>	<b>5,298</b>

In addition, £286,455 (2016-17: £726,729) was paid for agency and secondee staff.

The board considers its key management personnel to be the Chair and the Senior Management Team. The total employee benefits (including employer pension contributions) of these key management personnel was £229,000. In the previous year, a different structure of management existed which consisted of a smaller team. The total employee benefits of this group was £227,000.

	2018 No.	2018 No.
Management personnel paid between £70,000-£80,000	1	1

## 7. PENSIONS

The pension cost charge represents contributions payable by Second Step to personal pension plans (See note 1j). Contributions totalling £32,000 (2016-17 - £30,000) were payable to the pension schemes at the year end and are included in creditors. Pension costs are allocated to restricted or unrestricted expenditure depending on the allocation of each employee's salary. During the year £24,000 of the £227,000 total contributions were allocated to restricted funds.

SECOND STEP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

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8. INTANGIBLE FIXED ASSETS

	Software Licences £'000
<b>Cost</b>	
At 1st April	124
Additions	49
As at 31st March	<u>173</u>
<b>Depreciation</b>	
At 1st April	69
Charge for the year	33
As at 31st March	<u>102</u>
<b>Net Book Value</b>	
At start of the year:	<u>55</u>
At year end:	<u>71</u>

## 9. TANGIBLE FIXED ASSETS

	Leasehold improvements £'000	Fixtures, fittings and furnishings £'000	IT & Office equipment £'000	TOTAL £'000
<b>Cost</b>				
At 1st April	128	117	303	548
Additions	91	12	11	114
As at 31st March	<b>219</b>	<b>129</b>	<b>314</b>	<b>662</b>
<b>Depreciation</b>				
At 1st April	128	117	269	514
Charge for the year	18	9	12	38
As at 31st March	<b>146</b>	<b>126</b>	<b>281</b>	<b>552</b>
<b>Net Book Value</b>				
At start of the year:	-	-	34	34
At year end:	<b>73</b>	<b>3</b>	<b>33</b>	<b>109</b>

SECOND STEP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

10. FIXED ASSET INVESTMENTS

	£'000
<b>Cost</b>	
At 1st April	100
Additions	16
Disposals	(100)
As at 31st March	<u>16</u>
<b>Impairment</b>	
At 1st April	100
Disposals	(100)
As at 31st March	<u>-</u>
<b>Fair value of investments:</b>	
At start of the year:	<u>-</u>
<b>At year end:</b>	<u>16</u>

The addition in year of £16,000 consists of Second Step's share of investment in a Special Purpose Vehicle named "Street Impact Bristol Ltd", which has been set up to administer a Social Impact Bond. This Special Purpose Vehicle is a joint venture between Second Step and two other partners.

The net liabilities and results of the joint venture are as follows:

	2018 £'000	2017 £'000
Current Assets	47	-
Creditors: amounts falling due within one year	(126)	-
<b>Net Liabilities as at 31st March</b>	<u>(79)</u>	<u>-</u>
<b>Net liabilities attributable to Second Step</b>	<u>(26)</u>	<u>-</u>
Turnover	40	-
Net expenses	(118)	-
<b>Deficit for the period Oct 17 - Mar 18</b>	<u>(78)</u>	<u>-</u>
<b>Deficit for the period attributable to Second Step</b>	<u>(26)</u>	<u>-</u>

SECOND STEP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

11. DEBTORS

	2018 £'000	2017 £'000
Rent and charges	34	92
Less: provision for doubtful debts	(29)	(25)
	<u>5</u>	<u>67</u>
Prepayments	105	102
Trade debtors	609	512
Accrued Income	113	92
Other debtors	9	69
	<u><u>841</u></u>	<u><u>843</u></u>

12. CREDITORS

	2018 £'000	2017 £'000
Deferred income	1,523	1,353
Trade creditors	459	202
Other taxes and national insurance costs	85	95
Accruals	189	378
Other creditors	295	940
	<u><u>2,551</u></u>	<u><u>2,967</u></u>

Reconciliation of Deferred Income required per SORP:

Deferred Income brought forward	1,353	1,725
Released	(904)	(1,490)
Deferred	1,074	1,118
	<u><u>1,523</u></u>	<u><u>1,353</u></u>

## SECOND STEP LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

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#### 13. PROVISION FOR LIABILITIES

	2018 £'000	2017 £'000
Property dilapidations provision brought forward	90	75
Released in the year	-	-
Charged in the year	15	15
Property dilapidations carried forward	<u>105</u>	<u>90</u>

The dilapidations provision is held against liabilities arising under full repairing leases which expire in 2020.

#### 14. NON EQUITY SHARE CAPITAL

Shares of £1 each in issue to persons who are current members:

	2018 No.	2017 No.
Shares in issue brought forward	53	53
Issued in period	-	-
Redeemed in period	-	-
Shares in issue carried forward	<u>53</u>	<u>53</u>

The shares provide members with the right to vote at general meetings, but do not provide any rights to dividends or distributions on a winding up, and they are not redeemable.

## 15. FUNDS

*Prior year:*

	As at 1st April 2016	Income	Expenditure	Transfers	Net gains and losses	As at 31st March 2017
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Restricted funds</b>						
- Golden Key	-	1,201	(1,270)	69	-	-
- Oak	-	114	(81)	-	33	33
<b>Unrestricted funds</b>	1,785	8,979	(8,947)	(69)	(37)	1,748
<b>Total funds</b>	1,785	10,294	(10,298)	-	(4)	1,781

*Current year:*

	As at 1st April 2017	Income	Expenditure	Transfers	Net Gains and Losses	As at 31st March 2018
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Restricted funds</b>						
- Golden Key	-	1,356	(1,150)	(205)	-	-
- Oak	33	84	(80)	-	4	37
<b>Unrestricted funds</b>	1,748	8,802	(8,731)	205	277	2,024
<b>Total funds</b>	1,781	10,242	(9,962)	-	280	2,061

£205,000 was transferred from restricted to unrestricted funds, which reflects allocation of central costs to the Golden Key project. The restricted balance of £37,000 reflects grant funding received from the Oak Foundation not yet spent.



## SECOND STEP LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

#### 16. ANALYSIS OF NET ASSETS BETWEEN FUNDS

##### Analysis of group net assets between funds

	Unrestricted funds £'000	Restricted funds £'000	Total funds £'000
Intangible fixed assets	71	-	71
Tangible fixed assets	109	-	109
Fixed asset investment	16	-	16
Debtors	817	24	841
Cash at bank and in hand	2,135	1,546	3,681
Other net current assets/(liabilities)	(1,018)	(1,533)	(2,551)
Provisions for liabilities	(105)	-	(105)
<b>Total</b>	<b>2,025</b>	<b>37</b>	<b>2,062</b>

##### Analysis of group net assets between funds - previous year

	Unrestricted funds £'000	Restricted funds £'000	Total funds £'000
Intangible fixed assets	56	-	56
Tangible fixed assets	33	-	33
Debtors	835	8	843
Cash at bank and in hand	3,188	718	3,906
Other net current assets/(liabilities)	(2,303)	(664)	(2,967)
Provisions for liabilities	(90)	-	(90)
<b>Total</b>	<b>1,719</b>	<b>62</b>	<b>1,781</b>

#### 17. TAXATION

Because of its charitable status Second Step is exempt from corporation tax in respect of any surplus which is applied to its charitable objects.

**18. OPERATING LEASE COMMITMENTS**

As at the year end Second Step had total future minimum lease payments under non-cancellable operating leases as follows:

	2018 £'000	2017 £'000
Amounts due:		
1 year	106	115
2-5 years	196	304
	<u>302</u>	<u>419</u>

**19. RELATED PARTY TRANSACTIONS:**

A fee of £6k was paid to the Chair of the Board (Graham Russell) in 2017-18 (£6k in 2016-17), under the existing Rules of the Society. There were no other transactions with the related parties and there were no outstanding balances at either year end.

**20. RECONCILIATION OF NET MOVEMENT IN FUNDS TO NET CASH FLOW FROM OPERATING ACTIVITIES**

	2018 £'000	2017 £'000
Net movement in funds	280	(4)
Add back depreciation charge	71	36
Add back increase in provision	15	-
Deduct Interest Income shown in investing activities	(1)	(9)
Decrease in Debtors	2	109
(Decrease) / Increase in Creditors	(416)	100
<b>Net cash used in operating activities</b>	<u><b>(48)</b></u>	<u><b>232</b></u>

SECOND STEP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

21. PRIOR YEAR STATEMENT OF FINANCIAL ACTIVITIES

	Unrestricted funds 2017 £'000	Restricted funds 2017 £'000	Total funds 2017 £'000	Total funds 2016 £'000
INCOME:				
Income from charitable activities	8,970	1,315	10,286	9,336
Income from generated funds:				
Investment income	9	-	9	11
<b>TOTAL INCOME</b>	<b>8,979</b>	<b>1,315</b>	<b>10,295</b>	<b>9,347</b>
EXPENDITURE:				
Charitable activities	8,947	1,351	10,299	9,096
<b>TOTAL EXPENDITURE</b>	<b>8,947</b>	<b>1,351</b>	<b>10,299</b>	<b>9,096</b>
Net Income/(Expenditure) before gain/losses on investments	32	(36)	(4)	251
Transfer between funds	(69)	69	-	-
<b>NET MOVEMENT IN FUNDS</b>	<b>(37)</b>	<b>33</b>	<b>(4)</b>	<b>251</b>
TOTAL FUNDS BROUGHT FORWARD	1,785	-	1,785	1,534
<b>TOTAL FUNDS CARRIED FORWARD</b>	<b>1,748</b>	<b>33</b>	<b>1,781</b>	<b>1,785</b>

## Second Step

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**Second Step is an exempt charity regulated by the Financial  
Conduct Authority Reg no: 25597R**

**SECONDSTEP**  
PUTTING MENTAL HEALTH FIRST