

SECONDSTEP

PUTTING MENTAL HEALTH FIRST

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

Registration number: 25597R

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REPORT OF THE BOARD FOR THE YEAR ENDED 31 MARCH 2017

Introduction

The Board presents their report and accounts for the year ended 31st March 2017. The accounts have been prepared in accordance with the accounting policies set out on page 16, 17 and 18 and 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 (FRS 102) applicable in the UK and Republic of Ireland Published on 16th July 2014. The organisation changed its name from "Second Step Housing Association Limited" to "Second Step Limited" effective from the 16th June 2017.

Objectives and Principal Activities Second Step's strategic aim is to promote mental health and wellbeing by supporting people and communities to build brighter futures.

Second Step is formed for the benefit of the community and 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.

These objectives are achieved by:

- **Service Delivery**– to provide a range of high quality services which are responsive, flexible, tailored to the need of the individual and focussed on recovery, outcomes and wellbeing.
- **Quality** – to maximise quality across the whole organisation. To deliver services through involving service users and other stakeholders in the setting and monitoring of quality standards, promoting quality standards and achieving excellent outcomes and through developing, valuing and supporting staff.
- **Organisation**– to ensure a robust, well managed, creative, high profile organisation that is well resourced and both values and promotes participation from service users, staff and Board members. To ensure risk is identified and well managed. To ensure Second Step complies with all relevant laws and statutes. To be well informed, forward looking and innovative in the way services are delivered and improved. To participate actively both locally and nationally, contributing to and influencing commissioning, strategic planning and decision-making.
- **Finance & Information Management** – to deliver robust financial management underpinned by strong internal controls and financial regulations. To deliver long-term financial sustainability for Second Step. To deliver secure and reliable information via administrative systems, which are user friendly and enable staff and

REPORT OF THE BOARD FOR THE YEAR ENDED 31 MARCH 2017

others to work effectively and efficiently. To provide effective and efficient central services, responsive to the organisation's needs.

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

- Recovery through enabling Hope, Courage and Empowerment
- Collaboration
- Inclusion
- Integrity
- Learning

Second Step's principal activities continue to be the delivery of recovery and well-being opportunities for people with mental health and other support needs to build brighter futures.

Second Step delivers support contracts for local authorities, NHS trusts and Clinical Commissioning Groups across the West of England and operates the following key streams of activity:

- 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 Community Rehabilitation services under 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 the Homes and Communities Agency);
- Social prescribing activities;
- Psychological therapies; and
- Volunteering and mentoring

Performance Review and Achievements

2016/17 has been a year of consolidation and integration of several large new contracts, initiated at the start of the current year or in 2014/15, as part of Bristol Mental Health (BMH), a national BIG Lottery strategic programme, and supported housing.

The Board agreed a new business plan for 2016 to 2019 to enable and build on this consolidation and set out areas for development. Key activities for 2016-17 were:

- Re-branding Second Step with a new logo and strapline supported by a compelling narrative

REPORT OF THE BOARD FOR THE YEAR ENDED 31 MARCH 2017

- Organisational development -- through staff and service user engagement refreshing our values, and redefining our culture. Developing further a strong staff and service user voice.
- Business development – seeking opportunities to meet more people's needs in the community by delivering values based recovery interventions
- Learning and development – rolling out our new programme
- Infrastructure – investing in improvements and new HR software
- Service improvements – through process efficiencies

The Board is pleased to present the achievements and performance of Second Step, as set out below.

1. Community Mental Health Services

A five year contract which commenced on 01/10/2014, in which we are a subcontractor to AWP NHS Trust, providing support in Assessment & Recovery, Crisis and Early intervention services.

The whole service through the year experienced high levels of demand, exceeding contract expectations, reflecting increased mental health needs and complexity of need in the community, as well as pressures within the system such as within primary care and demands on beds. During the year we completed a skills mix review with AWP and are amending the contract to reflect this.

Wellbeing College (formerly the Recovery College)

The setting up of the college has been successful, with the engagement of learners through different learning settings and course options. We have re-named the college and are in the next phase of delivery, through extending courses.

2. Community Rehabilitation Service

The Community Rehabilitation Service is a four and a half year contract, which commenced on 01/04/2015, in which we are the prime contractor with the Bristol Clinical Commissioning Group, sub contracting some elements to AWP NHS Trust and Missing Link.

We supported 140 individuals against a target of 110 through accommodation and community support. Our first evaluation highlighted the formation of a strong team and strong values of the service.

During the year AWP confirmed that they were unable to provide the bespoke estate facility previously agreed and we are making alternative arrangements. We also acquired additional provision in north Bristol (October 2016) and at Hawthorn Court, which came on stream in early 2017/18.

The accommodation element of the service achieved a Good rating by the Care Quality Commission in 2016.

3. Golden Key

The BIG Lottery Golden Key Programme is an eight year £10m programme in Bristol where Second Step is the lead accountable agency, supporting a partnership of agencies. The Programme is about delivering long term sustainable system change

REPORT OF THE BOARD FOR THE YEAR ENDED 31 MARCH 2017

to improve the outcomes of vulnerable individuals with multiple and complex needs who are the furthest away from service. We completed our second year of the Programme in June 2016. In March 2017 we were successfully working with 139 clients and making an impact; the Partnership Board had agreed and identified key transformational and transactional projects to deliver our system change strategy; the main transformational change was a focus on homelessness and we part funded a post to work with the new Bristol City Office, reporting to the new Mayor. UWE completed our second evaluation; which focuses on client experience and is showing a highly skilled service co-ordination team, well regarded by their clients.

4. Supported Housing and Floating Support

Our high support services continued to out-perform other providers in positive planned move-on and very low numbers of people returning to acute homelessness. The new contract with reduced void times for both supported housing services required new ways of working, which continue to be embedded and improved.

Our spot contract service 'My Support' has continued to grow across the West of England, however new lower local authority rates are requiring us to review the viability of the service.

Our South Gloucestershire mental health floating support contract came to an end, with the local authority tendering for a reduced generic service.

Our floating support services in North Somerset and B&NES continue to deliver tailored support to very vulnerable individuals, with good outcomes.

5. Health & Wellbeing Services

Our psychological therapies services go from strength to strength. The service has exceeded its target on increasing numbers of people into the service, reaching 3775 individuals during the year. It has also met all its timed targets and recovery rates were close to the national target. Our Bristol and South Gloucestershire service also continues to deliver excellent interventions and receives excellent patient satisfaction.

We are continuing to deliver Health Link services as part of the re-tendered Homeless Health Service, now in partnership with BrisDoc.

Bristol Ageing Better – we started a small pilot project delivering social prescribing interventions to older people in their own homes as part of the wider BAB project to reduce social isolation.

Rank – a project to develop employability pathways for people with mental health needs, either in Second Step in Peer and other roles or also into other organisations.

Second Step continues to develop its volunteering services to complement and enhance services, recruiting many people with lived experience benefiting from all that their experience brings to the quality and effectiveness of services. In 2016-17 we had 141 volunteers (48% of whom had lived experience), contributing 6143 hours of support through a range of activities. 40% of volunteers went on into employment from volunteering with us. Two new volunteering projects started in this year:

REPORT OF THE BOARD FOR THE YEAR ENDED 31 MARCH 2017

UP project -- funded by Oak -- this 3 year project supports peer volunteer mentors to support homeless people. UP is being evaluated by Southampton University.

Get Connected -- is supporting people when they are discharged from secondary mental health projects to ensure they are connecting into their community activities to maintain their wellbeing.

6. Investors in People

We were delighted to be re-accredited with Investors in People in 2016.

Financial review

The Board reports a small deficit for the year of £4,000 (2015/16 -- surplus of £251,000) which reflects the growing pressures many of our services are under.

Income for 2016/17 at £10.3m increased by 10% over 2015/16 (£9.3m). However costs increased by 13%. Contribution from services fell from 23% to 18%. Overheads increased by 14% to incorporate a significant one-off investment in rebranding as well as increased investments in Training & Development and New Business.

Three significant long term contracts now account for 58% of our income: Community Mental Health, Community Rehabilitation, and Golden Key.

Supporting People services had a very mixed year. Community Supported Accommodation and My Support suffered increased costs and reduced income in the year, resulting in negative contribution from these services. This was compensated for to some degree by better performance in Supported Housing. Overall, Supporting People income was unchanged at £3.2m but contribution reduced from 12% to 8%.

Second Step is reviewing its Supporting People and spot contract services to ensure their continued viability.

At the year end we have £1.78m of Unrestricted Reserves (2015/16 £1.79m) which is in excess of our minimum required of £1.2m per our Reserves Policy. See Reserves note below.

Public Benefit Statement

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

Risk Management

Risk Management is an integral part of Second Step's governance and management framework.

REPORT OF THE BOARD FOR THE YEAR ENDED 31 MARCH 2017

The board has delegated the risk role to the Business Development, Audit and Finance Committee to conduct a review of the effectiveness of the company's risk management and internal control systems at least annually. The review covers all financial, operational and compliance controls.

At management level the Executive Management Team (EMT), consisting of the Chief Executive Officer, the Director of Operations and the Director of Finance & IT, is given the responsibility for ensuring there is a robust system of risk identification and recording across the organisation, where all employees are responsible for risk identification and recording in their respective risk register in a standardised format. Each service area also holds its own risk register that feeds into the organisational wide register. Top risks are identified through this process and reported to the Board.

The top risks currently identified (March 2017) are:

- Changes in government/local authority/NHS policy
- High staff turnover/poor retention rates
- Strong competition
- Inability to achieve adequate financial contribution on all individual services
- Increased complexity of need of our service users

These are mitigated by the following controls:

Changes in government/local authority/NHC policy: Good governance and information sharing when changes take place.

High staff turnover/poor retention rates: Interview and assessment processes. Fair and open competition appointment. Job descriptions, performance appraisal and feedback. Conduct 'exit' interviews and staff surveys. Good learning and development programme.

Strong competition: Strong PR&Comms, to build strong place in market and profile. Monitoring performance and quality of service. Review of market and methods of service delivery/best practice and innovation. Ongoing focus on efficiency savings. Regular contact with commissioners. Good networking. Extending our area of expertise. Building on Golden Key.

Inability to achieve adequate financial contribution on all individual services: Segmented budgets and financial plans. Annual viability and contribution reviews. Longer term financial planning. Robust pricing policy. Budgets for individual services. Detailed risk assessments.

Increased complexity of need of our service users: Strong Health and safety practice. Training and staff development. Monitoring service user needs and trends. Regular contact with partners and funders. Focus on effective interventions. Best practice and innovation.

We actively manage these risks and report routinely to the Board.

REPORT OF THE BOARD FOR THE YEAR ENDED 31 MARCH 2017

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. Any funds received in advance or planned expenditures that remained outstanding at the year end are held in Second Step's bank account. 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, providing 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.

The Board is responsible for ensuring the adequacy of Unrestricted Reserves (Designated and General) 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 2016/17. This was reviewed in May 2017 and kept at the same level for 2017/18.

Plans for the Future

Second Step has adopted a new business plan for 2016-19. Key activities for 2017-18 are:

- Long term financial planning
- Assessment of current service delivery
- Seeking new business opportunities
- Agreeing a new organisational structure
- Organisational development (continuing from last year)
- Embedding our Vision and Brand
- A Comms and Influencing Plan

As well as our focus on service delivery and innovation, improving infrastructure, and speaking up for mental health the strategy is focussed on these areas:

- To build our resilience and sustainability

REPORT OF THE BOARD FOR THE YEAR ENDED 31 MARCH 2017

- Broaden our offer to older and younger people, with an emphasis on community-based services
- Ensure strong service user voice and stakeholder feedback integral to improving services
- Build our intellectual and innovative capital as well as increased financial turnover
- Balance of larger contracts (NHS/LA) that support organisational efficiencies and smaller contracts that support service-wide innovation and learning
- Expand into private/business sector through selling services and into different funding streams such as education.
- Delivering social care, housing and support as well as well-being therapies
- Out of area (beyond West of England) new business will focus on larger contracts, consultancy opportunities and projects that bring national influence and recognition.

Structure, Governance and Management

The Board adopted the updated NHF Model Rules 2011 framework on corporate governance (November 2013), with which Second Step has complied throughout the period under review.

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 three 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 Steps aims and objectives.

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.

Key Management Personnel Remuneration

The Board considers the Chair, the Chief Executive, the Director of Services and the Director of Finance & IT as key management personnel of Second Step responsible for directing and running the operations on a 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 17 for Chair's fees).

All Board Members are required to disclose all relevant interests and register them with the Chief Executive and in according with association's policy withdraw from decisions where a

REPORT OF THE BOARD FOR THE YEAR ENDED 31 MARCH 2017

conflict of interest arises. None of the board members have interests with the business of Second Step, but any such interest would be disclosed.

The Chair's Fees and the salaries of the Chief Executive and Directors (other than Non Executive Board Members) 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 the 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.

REPORT OF THE BOARD FOR THE YEAR ENDED 31 MARCH 2017

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	
Todd Lochhead	
Carrie Pooler	
Paddy Cooney	
Gerry Monaghan	

2. Executive Directors

Aileen Edwards	Chief Executive
Paul Flood	Executive Director of Services (resigned 31 March 2017)
Chris Arnold	Executive Director of Resources (resigned 31 January 2017)
Gerard Duffy	Interim Director of Finance & IT (from 9 January 2017)

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
Nailsea
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 2017

Board Responsibilities in Relation to the 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.

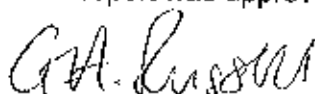
Disclosure of information to auditors

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 4 Aug 17 and signed on its behalf.



Graham Russell
Chair of the Board

SECOND STEP LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SECOND STEP LIMITED FOR THE YEAR ENDED 31 MARCH 2017

We have audited the financial statements on pages 13 to 27. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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 2017 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.

Scope of the audit of the financial statements

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

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 or other accounts (if any) to which our report relates, 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.

Respective responsibilities of the Committee of Management and auditor

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

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 RG1 3EU

Date: *9 August 2017*

SECOND STEP LIMITED

STATEMENT OF FINANCIAL ACTIVITIES

FOR THE YEAR ENDED 31 MARCH 2017

		Unrestricted funds 2017	Restricted funds 2017	Total funds 2017	Total funds 2016
	NOTES	£'000	£'000	£'000	£'000
INCOME:					
Income from charitable activities	2	8,970	1,315	10,286	9,336
Income from generated funds:					
Investment income	5	9	-	9	11
TOTAL INCOMING RESOURCES		8,979	1,315	10,295	9,347
EXPENDITURE:					
Charitable activities	3	8,947	1,351	10,298	9,096
TOTAL RESOURCES EXPENDED		8,947	1,351	10,298	9,096
Net Income/(Expenditure) before gain/losses on investments		32	(36)	(4)	251
Transfer between funds		(69)	69	-	-
NET MOVEMENT IN FUNDS		(37)	33	(4)	251
TOTAL FUNDS BROUGHT FORWARD		1,785	-	1,785	1,534
TOTAL FUNDS CARRIED FORWARD		1,748	33	1,781	1,785

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 16 to 27 form part of these financial statements.

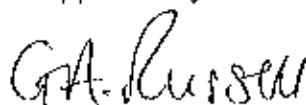
SECOND STEP LIMITED

BALANCE SHEET AT 31 MARCH 2017

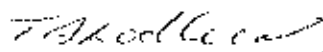
	NOTES	2017 £'000	2016 £'000
FIXED ASSETS			
Intangible fixed assets	8	56	-
Tangible fixed assets	9	33	45
Fixed assets investments	10	-	-
		89	45
CURRENT ASSETS			
Debtors	11	843	952
Cash at bank and in hand		3,906	3,744
		4,749	4,696
CREDITORS: amounts falling due within one year	12	(2,967)	(2,882)
Net current assets		1,782	1,814
TOTAL ASSETS LESS CURRENT LIABILITIES		1,871	1,860
Provisions for liabilities	13	(90)	(75)
NET ASSETS		1,781	1,785
CAPITAL & RESERVES			
Called up share capital	14	-	-
Restricted funds	15	33	-
Unrestricted funds	15	1,748	1,785
Association's funds		1,781	1,785

The financial statements were approved by the Board on 4 Aug 2017.

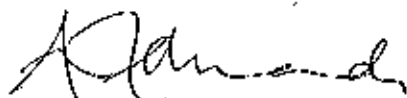
G. Russell – Chair



T. Lochhead – Board Member



A. Edwards – Company Secretary



The notes on pages 16 to 27 form part of the financial statements.

SECOND STEP LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2017

	NOTES	2017 £'000	2016 £'000
NET CASH USED IN OPERATING ACTIVITIES:	19	232	1,957
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest income on investing activities		9	11
Purchase of tangible and intangible fixed assets		(79)	(9)
NET CASH PROVIDED BY INVESTING ACTIVITIES:		(70)	2
NET CASH PROVIDED BY FINANCING ACTIVITIES:		-	-
CHANGES IN CASH EQUIVALENTS IN THE YEAR:		162	1,958
CASH AND CASH EQUIVALENTS BROUGHT FORWARD:		3,744	1,786
CASH AND CASH EQUIVALENTS CARRIED FORWARD:		3,906	3,744
		=====	=====

Cash and cash equivalents carried forward included £674k restricted for Golden Key.
The notes on pages 16 to 27 form part of the financial statements.

1. PRINCIPAL ACCOUNTING POLICIES

Second Step Limited is registered in the United Kingdom 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 (£).

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 directors have 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 £1000. 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
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SECOND STEP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

(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 £1000. 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
Vehicles	three 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 association 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. Depending on the employee's level of contribution, Second Step contributes a percentage (currently 3% or 6%) of 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 contracts 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 2017

2. INCOME FROM CHARITABLE ACTIVITIES

	2017 £'000	2016 £'000
Community Mental Health Services	4,765	4,174
Supporting People Services	2,166	2,176
Income from Housing Management	1,100	1,038
Psychologically informed therapies	756	693
Golden Key (BIG Lottery Grant)	1,201	1,119
Other services	296	136
	<u>10,286</u>	<u>9,336</u>
	=====	=====

BIG Lottery and Oak Foundation Grants of £1,315k (£1,119k in 2015/16) were restricted for Golden Key and Oak activities only.

3. ANALYSIS OF CHARITABLE EXPENDITURE

	Charitable Activity	Support and Governance Cost	Total	Total
	£'000	£'000	2017 £'000	2016 £'000
Community Mental Health Services	3,486	695	4,181	3,508
Supporting People Services	1,963	691	2,654	2,477
Expenditure on Housing Management	1,046	51	1,097	1,048
Psychologically informed therapies	617	207	824	715
Golden Key (BIG Lottery Grant)	1,057	213	1,270	1,211
Other services	209	63	273	136
	<u>8,378</u>	<u>1,920</u>	<u>10,298</u>	<u>9,096</u>
	=====	=====	=====	=====

In 2016/17 the expenditure on charitable activities was £10,298k (£9,096k in 2015/16) of which £1,351k (£1,211k in 2015/16) was expenditure from funds restricted for Golden Key and Oak.

SECOND STEP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

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

Allocated Support Costs	2017 £'000	2016 £'000	Basis of Apportionment
Support Staff Wages & Salaries	1,324	1,116	Staff Costs
Office Rental and Costs	177	165	Staff Costs
Telephone & Internet Charges	26	28	Staff Costs
Repairs & Decorations	15	31	Staff Costs
Insurance	31	32	Staff Costs
IT Costs	118	142	Staff Costs
Publicity	51	19	Staff Costs
Depreciation & Dilapidation	51	45	Staff Costs
SU Participation & Other Costs	14	8	Staff Costs
Consultancy Costs	92	50	Staff Costs
	1,898	1,635	
Governance Costs	2017	2016	
	£'000	£'000	
Annual Audit Services	14	13	
Board Travel Expenses	2	1	
Training for Board	0	1	
Chair's Fee	6	6	
	22	21	
Total Allocated Support and Governance Costs	1,920	1,657	

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 2017****4. OPERATING (DEFICIT)/SURPLUS**

	2017	2016
	£'000	£'000
This is arrived at after charging/(crediting)		
Auditor's remuneration for audit services	14	13
Losses from bad debts	13	-
Depreciation of owned assets	36	30
Operating leases - land and buildings	79	135
- other	3	3

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	2017	2016
	£'000	£'000
Income from cash and investments	9	11

6. STAFF COSTS AND REMUNERATIONS OF KEY MANAGEMENT PERSONNEL

	No.	No.
The average monthly number of persons employed by the Association during the year, expressed as number of people employed, was:		
Direct staff	151	154
Administrative staff	44	36
Management	20	16
	-----	-----
	215	206
	=====	=====

	2017	2016
	£'000	£'000
Wages and salaries	4,720	4,273
National insurance costs	361	327
Pension contributions	217	185
	-----	-----
	5,298	4,785
	=====	=====

In addition, £726,729 (2015 - £741,499) was paid for agency and secondeed staff.

SECOND STEP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

The board considers its key management personnel to be the Chair, Chief Executive, Director of Services and Director of Finance & IT. The total employee benefits (including employee pension contributions) of these key management personnel was £227,000 (2015/16 £157,000).

	2017 No.	2016 No.
Management Personnel paid between £70 - £80k	1	-

7. PENSIONS

The pension cost charge represents contributions payable by Second Step to personal pension plans (see note 1j). Contributions totalling £30,000 (2015/16 – £27,000) were payable to the pension schemes at the year end and are included in creditors.

8. INTANGIBLE FIXED ASSETS

	Software Licences
	£'000
Cost:	
At 1 April 2016	69
Additions	56

At 31 March 2017	124
	=====
Depreciation:	
At 1 April 2016	69
Charge for the year	-

At 31 March 2017	69
	=====
Net Book Value	
At 31 March 2016	-
	=====
At 31 March 2017	56
	=====

SECOND STEP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

9. TANGIBLE FIXED ASSETS

	Leasehold improvements	Fixtures, fittings and furnishings	IT & office equipment	Total
	£'000	£'000	£'000	£'000
Cost:				
At 1 April 2016	128	117	280	525
Additions	-	-	23	23
At 31 March 2017	128	117	303	548
Depreciation:				
At 1 April 2016	123	117	239	479
Charge for the year	2	-	34	36
At 31 March 2017	125	117	273	515
Net Book Value				
At 31 March 2016	5	-	40	45
At 31 March 2017	3	-	30	33

10. INVESTMENTS HELD AS FIXED ASSETS

	2017 £'000	2016 £'000
Investments at cost	100	100
Impairment provided	(100)	(100)
Asset carrying value at year end	-	-

The investments held as fixed assets comprise loan notes issued by My Home Finance, paying a coupon of 6% per annum, redeemable 30 September 2017.

A review of My Home Finance's financial position has led to a decision to impair the carrying value of our investment down to nil.

SECOND STEP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

11. DEBTORS

	2017 £'000	2016 £'000
Rent and charges	92	69
Less: provision for doubtful debts	(25)	(25)
	68	45
Prepayments	102	39
Trade debtors	512	724
Accrued Income	92	106
Other debtors	69	38
	843	952
	=====	=====

12. CREDITORS

	2017 £'000	2016 £'000
Deferred income	1,353	1,725
Trade creditors	202	327
Other taxes and national insurance costs	95	93
Accruals	378	181
Other creditors	940	556
	2,967	2,882
	=====	=====

Reconciliation of Deferred Income:

	2017 £'000	2016 £'000
Deferred Income brought forward	1,725	366
Released	(1,490)	(242)
Deferred	1,118	1,600
	1,353	1,725
	=====	=====

SECOND STEP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

13. PROVISION FOR LIABILITIES

	2017 £'000	2016 £'000
Property dilapidations provision brought forward	75	60
Released in the year	-	-
Charged in the year	15	15
	-----	-----
Property dilapidations provision carried forward	90	75
	=====	=====

The dilapidations provision is held against liabilities arising under the full repairing lease on 9 & 10 Brunswick Square. The standard lease term expires on the 17/06/2020. We anticipate that the provision is likely to be utilised in the final two years of the lease.

14. NON EQUITY SHARE CAPITAL

	2017 No.	2016 No.
Shares of £1 each in issue to persons who are current members of the Association		
Shares in issue brought forward	53	52
Issued in period	-	1
Redeemed in period	-	-
	-----	-----
Shares in issue carried forward	53	53
	=====	=====

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.

SECOND STEP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

15. FUNDS

	As at 01 April 2015	Income	Expenditure	Transfers	Gains and Losses	As at 31 March 2016
	£'000	£'000	£'000	£'000	£'000	£'000
Restricted funds						
- Golden Key	-	1,119	1,211	92	-	-
Unrestricted funds	1,534	8,227	7,884	(92)	251	1,785
	=====	=====	=====	=====	=====	=====
Total funds	1,534	9,347	9,096	-	251	1,785
	=====	=====	=====	=====	=====	=====

	As at 01 April 2016	Income	Expenditure	Transfers	Gains and Losses	As at 31 March 2017
	£'000	£'000	£'000	£'000	£'000	£'000
Restricted funds						
- Golden Key	-	1,201	1,270	69	-	-
- Oak	-	114	81	-	33	33
Unrestricted funds	1,785	8,979	8,947	(69)	(37)	1,748
	=====	=====	=====	=====	=====	=====
Total funds	1,785	10,294	10,298	-	(4)	1,781
	=====	=====	=====	=====	=====	=====

All of the assets and liabilities relate to unrestricted funds other than the £69k deficit of Big Lottery funding held as deferred income within creditors. £69k unrestricted funds transferred to restricted funds to cover the deficit on Golden Key at the year end. £114k restricted funds for Oak activities were received in advance during the year, out of which £33k remained unspent.

16. TAXATION

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

SECOND STEP LIMITED**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 MARCH 2017****17. OPERATING LEASE COMMITMENTS**

As at 31 March 2017 Second Step had total future minimum lease payments under non-cancellable operating leases as follows:

	2017 £'000	2016 £'000
Amounts due:		
1 year:	115	122
2-5 year:	304	199
	-----	-----
	419	321
	=====	=====

18. RELATED PARTY TRANSACTIONS:

A fee of £6k was paid to the Chair of the Board (Graham Russell) in 2016/17 (£6k in 2015/16). There were no other transactions with the related parties.

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

	2017 £'000	2016 £'000
Net movement in funds	(4)	251
Add back depreciation charge	36	30
Deduct Interest Income shown investing activities	(9)	(11)
Deduct gains/add back losses on investments	-	-
Decrease (increase) in Debtors	109	(185)
Increase (Decrease) in Creditors	100	1,872
	-----	-----
Net Cash Used in Operating Activities	232	1,957
	=====	=====

