

UHY Hacker Young LLP
Quadrant House
4 Thomas More Square
London
E1W 1YW



17 October 2019

Dear Sirs,

Representations in respect of the financial statements for the period ended 31 March 2019.

We acknowledge as directors, and confirm that we have fulfilled, our responsibility for the preparation of financial statements for the period ended 31 March 2019 that show a true and fair view and are in accordance with United Kingdom generally accepted accounting practice and the Companies Act 2006.

We also acknowledge as directors our responsibility for the design and implementation of internal control to prevent and detect both error and fraud.

We confirm to the best of our knowledge and belief, and having made appropriate enquiries of other directors and officials of the group, the following representations given to you in connection with your audit of the group's financial statements for the period ended 31 March 2019.

1. Completeness of audit information

We have provided you with:

- Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- Additional information that you have requested from us for the purpose of the audit; and
- Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

Specifically we confirm that:

- All accounting records have been made available to you for the purpose of your audit;
- All other records and related information, including minutes of all shareholders' and board meetings, including meetings of the Audit Committee and the Remuneration Committee in the period 1 December 2018 to the date of this letter have been made available to you.

2. Completeness of accounting records and financial statements

All the transactions undertaken by the group have been properly reflected and recorded in the accounting records, and in the financial statements.

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Delivering children's services on
behalf of Reading Borough Council

Registered in England and Wales.
Limited Company No. 11293709

3. **Significant assumptions, judgments and intentions**

In preparing the financial statements the board has made the following significant assumptions relating to amounts included in or disclosed in the financial statements:

- The board have reviewed the assumptions included in the pension valuation provided for the purpose of the disclosures and consider them to be reasonable.
- The intercompany balances between Brighter Futures for Children Ltd and Reading Borough Council, which net off to £3,686,192 are correct.

We have no plans or intentions that would, if taken into account, materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

Aside from normal commercial constraints, we are not aware of any factor that will significantly reduce the likelihood of the company achieving those of its plans or intentions that are material to the determination of the carrying value or classification of assets and liabilities reflected in the financial statements.

We confirm that the above representations are our assumptions on these matters and that we consider them to be reasonable.

4. **Unadjusted errors in the financial statements**

We consider that the errors identified by you and set out in Appendix 1 are immaterial individually and in aggregate *and accordingly that no adjustment to the financial statements is required.*

5. **Compliance with statutory or regulatory obligations, including tax legislation**

We are not aware of any instances of possible non-compliance with statutory or regulatory obligations or tax legislation which could have a material effect on the financial statements.

6. **Significant agreements**

We have disclosed to you all the agreements and commitments (and any related side letters) that the group has entered into that could have a material impact on the amounts or disclosures included in the financial statements, or are relevant to an assessment of whether the group remains a going concern.

We are not aware of any instances of non-compliance with our contractual obligations which could have a material effect on the financial statements.

7. **Going Concern**

In our opinion the group will have sufficient resources to meet its liabilities as they fall due for the reasonably foreseeable future, and is therefore a going concern. In forming this conclusion we have expressly considered the period from the date of approval of the financial statements to 30 November 2020. In addition, we are not aware of any likely events, conditions or business risks beyond this period that may cast significant doubt on the group's ability to continue as a going concern.

8. **Contingent liabilities (including litigation or claims against the group) and events arising subsequent to the balance sheet date**

All material contingencies (including all known, actual or potential litigation or claims against the group) that are more likely than not to result in a loss to the group have been provided for in the financial statements.

Except for matters for which there is only a remote possibility of occurrence, the group is not affected by any such contingency which existed at the balance sheet date and which could possibly result in material loss to the group.

There have been no events since the period end date which necessitate revision of the figures included in the financial statements or inclusion of a note thereto. Should any such events occur, we will advise you accordingly.

9. **Transactions with and interests of the directors**

We acknowledge the each company's financial statements are required by the Companies Act 2006 and the applicable accounting standard to include specified disclosure of the nature, extent and amount of its transactions that are with, or for the benefit of, any of its directors (or, in certain circumstances, members of their families and trusts, partnerships and other companies in which they have an interest).

We have identified and discussed with you all the transactions of the group with the parent company directors and their connected persons. Consequent upon these procedures, we are able to make the following representation.

The group has at no time during the period granted any advances or credits to, nor entered into any guarantees of any *kind on behalf of, the parent company directors or persons connected with them.*

Apart from remuneration arrangements, the group has had at no time during the period entered into any other transactions with the parent company directors or persons connected with them except for transactions that are immaterial to both the directors (and any relevant connected person) and the group's financial statements.

The directors' interests in the share and loan capital of the group are as stated in the respective directors' reports.

10. **Related parties other than the directors**

We acknowledge that, subject to certain specific exemptions, the group's financial statements are required to disclose comprehensive details of transactions and relationships with its "related parties" in order to give a true and fair view. Accordingly we confirm that

- a) We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware; and
- b) We have properly accounted for and disclosed all such relationships and transactions in the financial statements.

In making that confirmation we acknowledge:

- a) the following broad definition of related parties, being: those individuals, companies and other entities connected or linked with the group or its directors in such a way as to make feasible the negotiation of mutual contracts on a non-arms length basis; and

b) the formal definition of "related parties" given in the applicable accounting standard IAS 24.

11. Control of the company

So far as we are aware, the group is not under the control of any other party.

12. Risks, occurrences and allegations of fraud

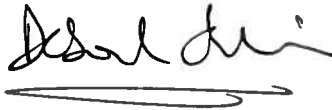
We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

We are not aware of any fraud (or suspected fraud) affecting the group involving:

- the directors; or
- senior management and other employees that have significant roles in internal control; or
- others where the fraud (or suspected fraud) could have a material effect on the financial statements.

We are not aware of any allegations of fraud (or suspected fraud) affecting the group's financial statements communicated by employees, former employees, regulators or others.

Yours faithfully



(Signed on behalf of the board of directors)

Brighter Futures for Children Ltd

Appendix 1 – Summary of unadjusted journals

Description	SOFA		Balance sheet	
	Debit £	Credit £	Debit £	Credit £
1	<i>Being the laptop addition that was expensed rather than capitalised.</i>			
IT equipment cost of additions			4,322	
IT expense		4,322		
IT equipment depreciation				39
Depreciation expense	39			
2	<i>Being the journal to account for an expense not correctly credited for</i>			
Trade Creditors				21,997
Service Costs	21,997			



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Brighter Futures for Children

Annual Report

2018-19

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COMPANY INFORMATION

Directors	A P Byrne S Douglas N Gilham D M Jenkins A P Kildare P S Snell
Registered Office	Reading Borough Council Civic Offices Bridge Street Reading Berkshire United Kingdom RG1 2LU
Company Number	11293709
Auditors	UHY Hacker Young Chartered Accountants Quadrant House 4 Thomas More Square London E1W 1YW
Principal Bankers	Lloyds Bank plc Broad Street Reading 24 Broad Street Reading Berkshire RG1 2BT
Solicitors	Burges Salmon One Glass Wharf Bristol BS2 0ZX

BRIGHTER FUTURES FOR CHILDREN LIMITED

STRATEGIC REPORT FOR THE PERIOD ENDED 31 MARCH 2019

The Directors present their annual report and the audited financial statements of the company for the period ended 31 March 2019.

Who we are

Incorporated on 5 April 2018, Brighter Futures for Children (BFfC), a company limited by guarantee, delivers children's services on behalf of Reading Borough Council (RBC). The company is wholly-owned by, but independent of the council and is governed by an independent Board, executive committee and senior leadership team, to ensure operational autonomy.

Children's social care services in Reading were graded 'Inadequate' by Ofsted in August 2016. Problems with retaining a stable workforce, inconsistencies in practice and increasingly complex cases were reflected in the rating.

Concerted efforts were made by Reading Borough Council, with the support of a Department for Education (DfE) commissioner, to put an improvement plan in place. Some improvements were evidenced through a range of performance indicators and audit, including Ofsted monitoring visits and Achieving for Children (AfC) support. However, the service remained fragile.

Ofsted monitoring visits (eight before the company's 'go live' date) reported evidence of improvement, although the lack of consistency, churn of staff, leadership and the pace of improvement were criticised.

The Council took the decision that the Brighter Futures for Children model, as a wholly-owned but independent, not-for-profit company concentrating on services for children, would offer the best opportunity to bring new focus to the issues faced in delivering quality services to children and young people in the borough.

A seven-year contract was agreed with Brighter Futures for Children, managed through regular commissioning arrangements. The principal activity of Brighter Futures for Children Limited is the delivery of children's services. Our responsibility is to deliver the best possible opportunities for Reading's children, young people and families.

The company went 'live' on 3 December 2018, with 17 Key Performance Indicators, plus further management information indicators through which the company is held to account.

448 staff were TUPE'd across, with identical benefits to RBC's, and Service Level Agreements were put in place for the delivery of some support services to the new company by RBC, where it was decided that a shared approach would be beneficial.

Brighter Futures for Children can manage the demands of the services with flexibility and independence. With this autonomy, we are free to create our own policies and procedures and to have our own finance, HR, commissioning and business support services and to work flexibly and innovatively with partner agencies to deliver quality services in a new way.

There is also the flexibility to further develop a suite of traded services and to look for income generation opportunities.

Our vision

Our **vision** is to unlock all the resources in the borough of Reading to help every child have a happy, healthy and successful life.

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Our services

Brighter Futures for Children has the statutory responsibility, on behalf of the Council, for the delivery of the following:

Children's social care

Social care services provide support to children in need of help and protection. Our services include statutory assessment and care planning for children at risk of significant harm, provision for children looked after and those leaving care, an Emergency Duty Team (EDT) service as well as fostering and adoption services.

Education, Special Education Needs and Disabilities, School Support services

We have the statutory responsibilities for pupil place planning, admissions, children missing education, and elective home education.

We support schools and parents on exclusions and provide guidance for schools and alternative providers on improvement and safeguarding.

Special educational needs and/disabilities, including integrated support for children with disabilities and home to school transport. The school meals contract is also managed by Brighter Futures for Children.

School improvement support and traded services to schools includes educational psychology, therapies and emotional health and wellbeing, Governor support, apprenticeships and access to employment and training and school leadership development.

Developing the suite of services offered to schools is one of our key priorities and, since December 2018, we have been commended in schools' Ofsted reports for our leadership support.

Early Help

Early help services provide targeted support to children, young people and families at the earliest point of identified need.

The aims of early help are to encourage families to support themselves, to prevent problems escalating and to reduce the number of children and young people needing statutory interventions.

The umbrella of early help also covers Early Years, including nurseries and children's centres, the Youth Offending Service, young people's drug and alcohol advisory service, support for young parents, for young people not in employment, education or training and information and advice and guidance for young people with special educational needs.

Support services

In addition to the above, we have invested in the following areas, towards delivery of our objectives:

- Performance analysis
- Quality assurance
- Commissioning
- Workforce development
- Recruitment and retention
- Marketing and communications
- Child protection conferences

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- Independent reviewing officers
- Independent advisory service
- Children in care participation
- Business analysis and process mapping

Our objectives and activities

Our overall **objective** is to deliver the best possible opportunities for the children of Reading.

Our first **activity** was to develop and embed consistently good and safe practice in children's care. That gave us a base on which to develop innovative and excellent services through wider partnerships.

From the outset, we explored opportunities for learning and sharing with neighbours and with other Alternative Delivery Models (ADMs) for children's services.

Looking ahead, we hope to grow the company by providing services to other authorities or providers of children's services, but that will depend on our ability to prove that we are truly excellent at home first.

As a very new organisation, our business plan was crucial and work began on this as soon as the company went live.

Despite the short timeframe since December 2018, we agreed our business model and focus for each of the next three years by February 2019. These are:

April 2019 – March 2020: Improvement & Development

Year One will be on meticulous improvement of practice, stabilisation and development of the workforce, and engaging with children, families, staff and partners to ensure that they are part of our journey towards excellence.

April 2020 – March 2021: Growing/Embedding Quality Practice

Year Two will be on embedding quality of service, growing partnerships to develop innovation, engaging the wider community in our work and exploring the potential for growth.

April 2021 – March 2022: Sustainability

Year Three will be on developing sustainability of quality, coaching and developing a wider workforce, inter-agency working, sourcing additional external resources and developing traded services.

In addition, we identified **nine key priorities**, based on our local operating context, for **Year One** (starting on 1 April 2019), which will steer all of our action plans (see pages 5 and 6).

The business plan, which was designed to run from 1 April 2019 (our first full financial year) was completed before 31 March 2019 and was later approved by Reading Borough Council's Policy Committee in April 2019.

The plan takes the shape of an overarching business plan, under which the plans for each senior leader's service area and their work streams will target specific areas of work essential to our success.

These include the children's social care Improvement Plan, inherited from RBC but re-examined and updated to better address and reflect the new focus and pace of improvement for children's social care, as well as a Transformation Programme plan to deliver sustained improvements in five key areas, through the delivery of 28 projects.

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Our nine key priorities for Year One have been regularly communicated to all staff. They are:

1. Developing a stable and happy workforce which is well supported and well-led

As the company builds, the need for a skilled, experienced and motivated workforce will be essential to our improvement journey. We need to build our capacity and create stability across our 500-strong workforce.

We are developing a HR Strategy which will address gaps in skills, knowledge and capacity and to create an environment which affords space to our employees to innovate and transform the services they deliver.

2. Achieving the current Improvement and Learning Plan to address inconsistencies in social work practice

We want to offer services of the highest quality. Achieving the highest standards and improvement in services for the most vulnerable children and young people in Reading remains firmly at the top of our agenda. We have already started on this journey and will address any inconsistencies in social work practice through the delivery of our learning and improvement plan.

3. Establishing a strong network of stakeholders and partners across Reading and beyond to support our work

We believe that developing and operating in constructive partnerships is essential to achieving the best outcomes for our children and young people. There are already really good relationships with partners in Reading and we will capitalise on this and harness the expertise of all our partners.

We will work in an integrated way with RBC and our partner organisations to ensure that services are delivered by a suitably qualified and experienced workforce and deliver optimum value for money.

4. Building on strong foundations, create an imaginative preventative strategy to help children and families

We are committed to offering help before situations worsen, enabling families to resolve their problems. We believe that this is the route to resilient and sustainable communities. In Reading, not enough of our families receive help early enough and, as a result, more receive statutory services, either through a child protection plan or by becoming looked after, than is necessary.

Working with our partners, we want to alter this balance and so expanding our Early Help offer must be one of our priorities. We have already begun this work with the establishment of a multi-partner approach we call ONE Reading. We have also agreed to pilot an innovative approach to managing some Children in Need within Early Help to release capacity within social care teams.

5. Supporting our education providers to give the best possible start to our children and young people

We will support schools in relation to curriculum development and school leadership as well as providing support and challenge for school improvement and effectiveness.

We will ensure effective services are delivered for children with disabilities and their families and support for children with additional needs. Our services include support in relation to educational psychology, therapies and emotional health and wellbeing support.

We are committed to helping all children in our care to thrive at school. We will develop and improve support offered through our Virtual School to children looked after to ensure their needs are met and they are given the chance to meet and exceed all Key Stage milestones.

6. Driving a robust change programme which will deliver excellent and efficient services within a tight budget

The financial climate for services requires that more is achieved with less. This necessitates innovation and efficiency. Efficiency can mean spending less, or exercising better budgetary control, but it can also mean using resources better to achieve better value or re-engineering processes to become more effective.

The urgent budget pressures we face make clear that efficiency must be a priority that is meaningful for all of our staff and managers.

We are building a formal transformation programme including 28 projects part financed through DfE and RBC innovation funding, and more than 60 'Rapid Action' projects to streamline and improve the efficiency and impact of our work.

7. Listening to and engaging with the people we are here to serve

Our children and young people will always remain at the centre of everything we do and their needs will continue to inform our service delivery and commissioning arrangements.

We have strong and well established Youth Parliament and Children in Care Council and are working with them to engage more young people in developing a model of participation and to embed this in our culture. We are also working with our partners to ensure that our children and young people have a voice and a real impact on decisions that affect them and the services they receive.

8. Deliver the children's services for Reading within agreed fixed fee, being £135m for 2019/2020 (£41m core funding)

As already detailed, we are - and will be - streamlining and mapping processes to help us deliver a quality service within a reduced budget. We are working towards strong budgeting and financial management and an organisational culture of working within set budgets and recognising financial restrictions. We are monitoring financial reports on a regular basis and also financial controls.

We will ensure financial procedures and policies are in place and have already set up a process for regular review of company activities by the Audit and Risk Committee. We have started work to investigate improved processes for purchasing, document management and contract management and will work towards a cultural change, delivering training where needed, of using processes which take less time and, therefore, cost less.

9. To deliver a commercial Independent Fostering Agency (IFA) leading to increased children being cared for within the 20-mile radius

Our 'Re-imagining Fostering' project is one of the top priorities within our Transformation Programme. Although Year One did not start until 1 April 2019, work is already well under way to establish the processes and pathways to connect with the people of Reading to increase the number of in-house foster carers able to offer better opportunities to children and young people in need of foster care.

The Fostering Team transferred to Brighter Futures for Children from Reading Borough Council on 1 March 2019. To increase capacity of internal foster care provision BFfC will develop a fostering strategy to support a comprehensive recruitment campaign and implement a model based on best practice and research that supports carers and children.

Transformation Programme

The RBC Core Contract Sum budget figures of £41.1m in 2019/20, £40.6m in 2020/21 and £41.2m in 2021/22 were presented to the DfE when bidding for the Transformation Programme, along with RBC Transformation funding (£2.1m), which helped Brighter Futures for Children to successfully secure an additional sum of £5.4m.

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By January 2019, we had established the five priority areas, supporting documents were prepared and submitted to the Board. The five key priority areas are:

- A: Improving Practice Standards;
- B: Developing Workforce Excellence;
- C: Building Community Capacity;
- D: Stronger Stability for Children; and
- E: Consolidating Corporate Resilience.

Our values

Our values were developed with staff, through workshops and at all staff events and were in place by January 2019. They are:

Honest	We will always be transparent and open
Creative	We will always look for creative approaches and solutions, not be bound by convention
Caring	Every decision we make and action we take will be in the best interest of the child
Respectful	We will value diversity
Quality Driven	We will work to high standards of efficiency, effectiveness and professionalism
Responsible	We will always be a good partner, mindful of our duty to use resources wisely and well

Partnerships in the community

Brighter Futures for Children sees partnership working as crucial to the overall success of the company. One of the priority areas of the Transformation Programme is Building Community Capacity.

Building Community Capacity - one of our largest projects has been the development of a new, Reading-wide partnership. Agencies, voluntary, charitable and community organisations have been drawn together, with a shared consensus and joint aim of reducing the number of troubled families and also reducing the number of children and young people reaching the threshold for children's social care.

With the funding obtained from the Transformation Programme for the Early Years' partnership work and from the Troubled Families Grant, we have been able to establish the ONE Reading Partnership.

Although this partnership is resourced by, and its key staff are from Brighter Futures for Children, it was very important for us that every partner within it was equal. We have therefore referred to ourselves as 'facilitators' in helping the equal structure of the partnership to develop and flourish.

Financial review of our business

The company prepares its financial statements in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006.

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During the period, the company delivered children's services on behalf of Reading Borough Council. Turnover for the period was £23.2m, of which £20m was received from RBC in the form of contract income, grant income and contributions, excluding guaranteed pension liability. The main contract income from RBC totalled £9.5m.

The company spent £20.1m on direct costs, providing services to children. We also spent £0.9m on administration expenses during the period. The pension costs recognised in the Other Comprehensive Income is £2.4m. Pension contributions to the pension scheme totalled £0.8m for the period. Employer contributions to the pension scheme for the 448 employees for the period were £0.5m.

Overall income and expenditure in the next financial period is expected to be similar with no significant variations. Further discussions with RBC will continue to ensure that sufficient funding is allocated so we can continue to trade and meet our objectives.

Governance structure

The Board is responsible for setting the company's strategy driving high performance and quality in everything the company does, ensuring that the contract objectives are met and promoting the interests of children and young people throughout Reading. It meets monthly.

The senior leadership structure is two-tier. The Executive Committee (ExCo) includes the Executive Directors – the Managing Director, Director of Finance & Resources and Director of Children's Services.

ExCo meets weekly to oversee the corporate and strategic direction of the company. It is then joined for a second, weekly meeting by the Senior Leadership Team (SLT), including all Heads of Service, to discuss and report on the performance of the day-to-day operations of the company.

The Board, ExCo and SLT are governed by a clear Scheme of Delegation, with authorised budgetary spend limits. Any operational or corporate support service meetings below this level must have financial sign-off and approval by SLT or above before expenditure or operational changes can be made.

This is an important aspect of the company structure, as previous spending and decision-making was not always challenged. Staff now have a clearer governance structure, which simplifies decision-making and makes it faster, more appropriate and always aligned with company objectives and within financial constraints.

Method of recruitment and appointment or election of directors

The governance arrangements for the new company were a priority. This included the early decision to appoint a managing director with extensive commercial experience, leading large, complex organisations through change and improvement and running the corporate function, including finance and HR, rather than appoint a DCS (Director of Children's Services) to that post.

The Board saw this as important for the long-term success of Brighter Futures for Children both as a service and a self-sustaining business, particularly at a time where cuts to public services are at an all-time high and the need to work smarter, more efficiently and effectively on tighter budgets is crucial.

The decision to appoint a company managing director was also taken to allow the DCS to concentrate on the operational changes needed to improve the standard of children's services offered in Reading and to focus on that without the onerous and complex task of running the company independently of the council. The difference and the scale of both cannot be underestimated and both roles were identified as essential for the company to succeed.

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In addition to the Board Chair and Managing Director, three independent non-executive directors were recruited to the Board to bring added depth of knowledge and experience as well as commitment.

A specialist recruitment agency was commissioned by RBC, in collaboration with the BFfC Chair, to identify key management posts. All roles were openly and fairly advertised. The DCS, Director of Finance and Resources for the company and a co-opted representative from RBC's leadership team (in our case, the Executive Director of Social Care and Health) make up the Board's current complement.

Policies and procedures adopted for the induction and training of directors

Burges Salmon was appointed to train all Non-Executive Directors and Executive Directors in their duties and responsibilities. In addition to adopting the seven 'Nolan principles' for public office holders - selflessness, integrity, objectivity, accountability, openness, honesty and leadership - the Board was trained in the role of directors in the context of a commercial company in accordance with the Companies Act 2006.

Employee information policy

All staff transferring to Brighter Futures for Children on 3 December 2018 were welcomed into the company through an all staff meeting and an information pack, which outlined the company, the benefits for staff, the expectations on staff, in terms of adhering to company standards and ways of working which protected each other and the children, young people and their families we work with.

We consulted staff and liaised with the trades unions, to ensure everyone was fully informed and their views were taken on board. This all helped a smooth transfer take place.

All new staff, who have joined the company since the 'go live' date, have been introduced to the company's values and expectations through a new welcome/induction pack, as well as induction events. These clearly outline expectations of staff, as well as the expectations staff should have about the company and outlines the value we place on each and every member of staff.

Equal opportunities and disabled persons policies (Equalities Policy)

The company is an equal opportunities employer. We have adopted Reading Borough Council's Equalities Policy and will adapt it over time. It is our policy to develop and apply procedures and practices which are designed to ensure that equal opportunities are provided to employees and those who apply to work for us.

All employees are treated fairly and equally. Selection for employment, training, promotion or other matters affecting their employment is on the basis of suitability and ability.

While we are reliant on RBC, under an SLA, for the recruitment process and for securing contracts for interim employees and, initially, on RBC for its HR policies, we are currently working to provide an 'above and beyond' service, and to develop our own policies, although we acknowledge that this will take time to develop and embed.

It is our policy to give full and fair consideration to the employment needs of anyone disabled (and anyone who becomes disabled while employed by the company) and to comply with any current legislation with regard to disability.

Gender pay gap

Next year, Brighter Futures for Children will be able to produce a gender pay gap report based on a snapshot of the workforce as at 31 March 2019 (for the period 3 December 2018 – 31 March 2019).

The published report will include data on all protected characteristics.

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Arrangements for setting pay and remuneration of Key Management Personnel

The Board will convene a Remuneration Committee on an as needs basis which will review the compensation and benefits for key management personnel, in line with market-led comparative offers.

Connected organisations, including related party relationships

Brighter Futures for Children's key related party relationship is with our parent company, Reading Borough Council. We have one connected organisation – Brighter Futures for Children's Independent Fostering Agency (IFA) – which was established in January, prior to the TUPE transfer of Reading Borough Council's fostering team on 1 March 2019. On that date, 26 employees were transferred to BFFC. Before they transferred to us, we had successfully applied to Ofsted and met the requirements for IFA registration. Our certificate of registration is dated 31 January 2019.

Members' liability

Liability for the company rests with Reading Borough Council, as the company's sole owner.

Trade union facility time

BFFC provides reasonable paid time for union duties which includes representing staff through consultation or employee related matters.

Benefit and beneficiaries

The company is limited by guarantee and has no share capital. As such, no dividends will be distributed.

Principal risks and uncertainties

The Board of the company takes risk management seriously and a Risk Register has been developed which identifies those strategic risks that are considered the most critical in relation to the company. These risks are actively scrutinised by the Audit & Risk Committee with significant risks reported to the Board monthly for discussion and review.

At the end of March 2019, there were 40 risks identified, including 14 managed risks and 26 greater risks, of which 13 were under intensive scrutiny. These risks were identified within the Board Assurance Framework (BAF), which was reviewed and approved at the March 2019 Board meeting.

The Company's position at the end of the period

The position at the end of the period is a £167k deficit. The deficit is made up of the provision for annual leave carryover which is £104k, redundancy costs which is £47k and loan interest payment which is £16k.

Financial Key Performance Indicators

The financial key performance indicators to be included in a balanced scorecard are:

- Business Transformation Funding Allocation
- Business Transformation Fund spend to date
- Value of Transformational savings delivered
- Expected budget position at the end of the financial year
- The average weekly cost of Children Looked After per child per week
- Percentage of invoices sampled and paid within timescales
- Expected budget position of the Dedicated Schools Grant at the end of the financial year

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Performance management

Details of the services provided and related Key Performance Indicators (KPIs) are set out in a legally binding Service Level Agreement between Reading Borough Council and Brighter Futures for Children. Performance is scrutinised through a regular contract management meeting. The Children's Services Improvement Board (CSIB) independently monitors our Improvement Plan and progress made against the 18 recommendations identified in the 2016 full Ofsted inspection, and has been in existence since 2016.

The suite of KPIs is supported by a range of management information indicators, to additionally review progress against set targets. As part of the Service Level Agreement, an annual review of the current targets and tolerances will take place, to ensure they reflect the company's performance and take both local and national comparators into account.

As detailed more fully above, the Board meets monthly and the senior leadership team weekly to monitor and improve performance.

Governance and board committees

The Board has three standing committees to monitor progress in detail and report back to the full Board:

Audit and Risk, which reviews matters in connection with risk, policy, finance and internal audit. The chair of the committee is A P Byrne

Quality and Improvement, which monitors both quality and performance across all children's services areas. The chair of this committee is P S Snell

Fostering, which ensures the company can fulfil its obligations as an Independent Fostering Agency (IFA). The chair of this committee is N Gilham

In addition, the Board has, from time to time, 'task and finish' working groups to help respond to the needs of the business. For this year, the Board has focused on workforce development and finance.

The Recruitment and Retention Working Group chair is N Gilham

The Finance Working Group chair is N Gilham

Internal Controls Assurance

The Board acknowledges its overall responsibility for establishing and maintaining the whole system of internal controls and for reviewing its effectiveness.

The system of internal controls is designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and to provide reasonable, and absolute, assurance against material misstatement or loss.

The process for identifying, evaluating and managing the significant risks faced by the company is ongoing and has been in place for the financial period.

BRIGHTER FUTURES FOR CHILDREN LIMITED

STRATEGIC REPORT FOR THE PERIOD ENDED 31 MARCH 2019

Key elements of the control framework include:

- Regular reporting to SLT and the Board on key objectives, outcomes and performance against targets
- Board approved Governance Framework including terms of reference for the Board, and terms of reference of delegated authorities for the Audit and Risk Committee, Quality and Improvement Committee and Fostering Committee
- Health and Safety meeting occurs on a quarterly basis to provide assurance to the Board on risks, control and their mitigation
- Clearly defined management responsibilities for the identification, evaluation and control of significant risks
- Strategic and business planning process, with detailed financial budgets
- Recruitment, training and development policies for all staff
- Reports to Board for approval of significant new initiatives highlighting risks and financial implications
- Board approved confidential reporting (whistle blowing) policy
- Board approved Business Plan, Risk and Control Framework

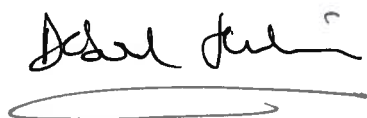
A risk register is maintained and is available for review by the Audit and Risk Committee at each of its meetings. The risk register is a standing item on the Audit and Risk Committee agenda.

The Board accepts ultimate responsibility for the system of internal controls and it has delegated authority to the Audit and Risk Committee to regularly review the effectiveness of the system of internal controls. The Board receives minutes of all the Audit and Risk Committee meetings.

Going Concern

After making appropriate enquiries, the Board of Directors has a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing these financial statements. Further details regarding the adoption of the going concern basis can be found in the Statement of Accounting Policies.

Approved by the Board of Directors on 17th October 2019 and signed on its behalf by:



Deborah Jenkins
Director and Chair of the Board

BRIGHTER FUTURES FOR CHILDREN LIMITED

DIRECTORS' REPORT FOR THE PERIOD ENDED 31 MARCH 2019

Results and dividends

The company was incorporated on 5 April 2018 and commenced business in December 2018. These are the first statutory financial statements for the period from incorporation to 31 March 2019.

The results for the year are set out on page 18.

The company is limited by guarantee and has no share capital.

Directors

The following directors held office during the period and up to the date of report are set out below:

A P Byrne	(appointed 15 November 2018)
S Douglas	(appointed 28 March 2019)
N Gilham	(appointed 15 November 2018)
D M Jenkins	(appointed 26 July 2018)
A P Kildare	(appointed 15 November 2018)
D J Locke	(appointed 28 March 2019, resigned 1 April 2019)
P S Snell	(appointed 15 November 2018)
N G P Whitfield	(appointed 5 April 2018, resigned 30 November 2018)

Employees

The company welcomed 448 staff, on a TUPE transfer from Reading Borough Council, on 3 December 2018. A further 26 staff were TUPE'd across on 1 March 2019 from the fostering team.

In addition to permanent staff, Brighter Futures for Children had 75 agency staff at 31 March 2019, including interim or contracted staff on fixed term or renewable contracts associated with change management and Transformation Programme projects. Also included in the 75 were 44 agency social workers.

The company is an equal opportunities employer. It is our policy to develop and apply procedures and practices which are designed to ensure that equal opportunities are provided to employees, or those who seek employment.

All employees are treated fairly and equally. Selection for employment, promotion, training or other matters affecting their employment is on the basis of aptitude and ability.

It is the company's policy to give full and fair consideration to the employment needs of disabled persons (and persons who become disabled while employed by the company) and to comply with any current legislation.

Auditors

The auditors, UHY Hacker Young LLP, were appointed during the period and will be proposed for reappointment in accordance with section 487 (2) of the Companies Act 2006.

BRIGHTER FUTURES FOR CHILDREN LIMITED

DIRECTORS' REPORT FOR THE PERIOD ENDED 31 MARCH 2019

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- i) select suitable accounting policies and then apply them consistently;
- ii) make judgements and estimates that are reasonable and prudent;
- iii) prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business; and
- iv) state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

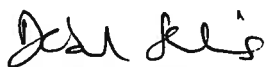
The directors confirm that the financial statements comply with the above requirements.

The directors are responsible for keeping proper accounting records which at any time disclose with reasonable accuracy the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 2006. The directors are also responsible for safeguarding the assets of the company and for taking steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure to of information auditors

So far as the directors are aware, there is no relevant audit information of which the Company's auditors are unaware, and the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Approved by the Board of Directors on 17th October 2019 and signed on its behalf by:



Deborah Jenkins
Director and Chair of the Board

**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF BRIGHTER FUTURES FOR CHILDREN LIMITED**

Opinion

We have audited the financial statements of Brighter Futures for Children Limited for the period ended 31 March 2019, which comprise of the statement of comprehensive income, the statement of financial position, the statement of changes in equity, 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 the preparation of the financial statements 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, Brighter Futures for Children Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the Company's affairs as at 31 March 2019 and of the Company's loss for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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 directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company'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 other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF BRIGHTER FUTURES FOR CHILDREN LIMITED**

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic Report and the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

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

Responsibilities of directors

As explained more fully in the statement of directors' responsibilities set out in the Directors' Report, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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 directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF BRIGHTER FUTURES FOR CHILDREN LIMITED**

Use of our report

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



**Colin Wright (Senior Statutory Auditor)
For and on behalf of UHY Hacker Young**

Chartered Accountants
Statutory Auditor

17/10/..... 2019

Quadrant House
4 Thomas More Square
London E1W 1YW

BRIGHTER FUTURES FOR CHILDREN LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 MARCH 2019

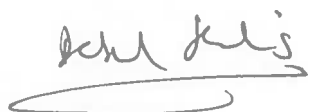
	Notes	2019 £
Revenue and grant funding	3	23,226,879
Direct costs		(20,069,412)
		<hr/>
Gross profit		3,157,467
Administrative expenses		(884,417)
		<hr/>
Operating profit	4	2,273,050
Finance costs	5	(15,890)
Finance income	6	11,770
		<hr/>
Profit before taxation		2,268,930
Taxation	7	-
		<hr/>
Profit for the period		2,268,930
		<hr/>
Other comprehensive income:		
Actuarial losses on defined benefit scheme	13	(2,436,000)
Other comprehensive income		-
		<hr/>
Other comprehensive income for the period net of tax		(2,436,000)
		<hr/>
Total comprehensive loss for the period		(167,070)
		<hr/> <hr/> <hr/>

BRIGHTER FUTURES FOR CHILDREN LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2019

	Notes		31 March 2019 £
Current assets			
Debtors	11	3,760,367	
Cash at bank and in hand	15	7,086,402	
		<hr/>	
		10,846,769	
Creditors: amounts falling due within one year	12	(11,013,839)	
		<hr/>	
Net current liabilities			(167,070)
			<hr/>
Creditors: amounts falling due after one year			-
Defined benefit pension scheme	13		-
			<hr/>
Net Liabilities			(167,070)
			<hr/> <hr/>
Equity and Reserves			
Retained losses			(167,070)
			<hr/>
			(167,070)
			<hr/> <hr/>

The financial statements were approved by the Board of Directors and authorised for issue on 17th October 2019.



Deborah Jenkins
Director and Chair of the Board

Company Registration No. 11293709

BRIGHTER FUTURES FOR CHILDREN LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 MARCH 2019

	Retained losses £	Total Equity £
On incorporation	-	-
Total comprehensive loss for the period	(167,070)	(167,070)
	<hr/>	<hr/>
At 31 March 2019	(167,070)	(167,070)
	<hr/> <hr/>	<hr/> <hr/>

BRIGHTER FUTURES FOR CHILDREN LIMITED

STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 MARCH 2019

	Notes	2019 £
Cash flows from operating activities		
Cash generated from operations	14	2,090,522
Net cash generated by operating activities		2,090,522
Cash flows from financing activities		
Loan from Reading Borough Council	18	5,000,000
Repayments of loans and other obligations		(15,890)
Interest income		11,770
Net cash generating from financing activities		4,995,880
Net increase in cash and cash equivalents		7,086,402
Cash and cash equivalents at the beginning of the financial period		-
Cash and cash equivalents at the end of the financial period	15	7,086,402

BRIGHTER FUTURES FOR CHILDREN LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

1. Accounting policies

Brighter Futures for Children Limited is a private company, limited by guarantee, registered in England and Wales. The Company's registered number and registered office address can be found on the Company Information page.

1.1 Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and in accordance with the Companies Act 2006.

The financial statements are presented in UK Sterling, which is the functional currency of the Company, rounded to the nearest £1.

The financial statements have been prepared under the historical cost convention.

A summary of the principal accounting policies adopted (which have been applied consistently, except where noted), judgements and key sources of estimation uncertainty, is set out below.

1.2 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

The Company has made a loss of £167,070 for the period and had net liabilities of £167,070 as at 31 March 2019. Reading Borough Council has confirmed that it will financially support the Company for a further 12 months from the date the financial statements are signed by the Directors. Additionally, during the period ended 31 March 2019, the Company received a £5,000,000 loan (note 18) to fund ongoing and future operations from Reading Borough Council. This loan has been further extended to cover the period until March 2021. As at 30 September 2019, the Company had cash balances of £11,912,179.

The Board of Directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Turnover

Revenue is recognised to the extent that the Company has entitlement to the funds, the receipt is probable and the amount can be measured reliably. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty.

Turnover consists of income from various grants and contracts and is recognised in accordance with the terms of those grants and contracts.

Grants receivable

Grants are included in the Statement of Comprehensive Income on a receivable basis. The balance of income received for specific purposes but not expended during the period is shown in the relevant reserves on the Statement of Financial Position. Where income is received in advance of meeting any performance-related conditions there is not unconditional entitlement to the income and its recognition is deferred. This is to be included within creditor as deferred income until the performance-related conditions are met. Where entitlement occurs before income is received, the income is accrued.

Capital grants are recognised where there is entitlement and are not deferred over the life of the asset on which they are expended.

BRIGHTER FUTURES FOR CHILDREN LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

Other income

Other income, including the hire of facilities, is recognised in the period it is receivable and to the extent the goods have been provided or on completion of the service.

Transfer on commencement of operations

Where assets were received by the Company from Reading Borough Council on transfer of the activities into the Company, the transferred assets are measured at fair value and recognised in the Statement of Financial Position at the point when the risks and rewards of ownership passed to the Company. An equal amount of income is recognised as Transfer on conversion within income.

1.4 Expenditure

Expenditure is recognised once there is a legal or constructive obligation to transfer economic benefits to a third party, it is probable that a transfer of economic benefits will be required in settlement and the amount of the obligation can be measured reliably. Expenditure is classified by activity. The costs of each activity are made up of the total of direct costs and shared costs, including support costs involved in undertaking each activity. Direct costs attributable to a single activity are allocated directly to that activity.

1.5 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less.

1.6 Financial instruments

The Company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the Company's statement of financial position when the Company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each reporting end date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the Statement of Financial Activities.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in the Statement of Financial Activities.

BRIGHTER FUTURES FOR CHILDREN LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the Company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Basic financial liabilities, including creditors, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

Financial liabilities are derecognised when the Company's contractual obligations expire or are discharged or cancelled.

1.7 Provisions

Provisions are recognised when the Company has an obligation at the reporting date as a result of a past event which it is probable will result in the transfer of economic benefits and the obligation can be estimated reliably.

Provisions are measured at the best estimate of the amounts required to settle the obligation. Where the effect of the time value of money is material, the provision is based on the present value of those amounts, discounted at the pre-tax discount rate that reflects the risks specific to the liability. The unwinding of the discount is recognised within interest payable and similar charges.

1.8 Leased assets

Rentals under operating leases are charged on a straight line basis over the lease term.

1.9 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense. The cost of any unused holiday entitlement is recognised in the year in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the Company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

BRIGHTER FUTURES FOR CHILDREN LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

1.10 Pension benefits

Retirement benefits to employees of the Company are provided by the Teachers' Pension Scheme ('TPS') and the Local Government Pension Scheme ('LGPS'). These are defined benefit schemes and the assets are held separately from those of the Company.

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the Company in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quadrennial valuations using a prospective unit credit method. As stated in note 13, the TPS is a multi-employer scheme and there is insufficient information available to use defined benefit accounting. The TPS is therefore treated as a defined contribution scheme for accounting purposes and the contributions are recognised in the period to which they relate.

The LGPS is part of the Royal County of Berkshire Pension Fund with effect from 1 December 2018 when staff were transferred from the employment of Reading Borough Council (RBC) to the Company. Retirement benefits to employees of the Company are provided by the LGPS. This is a defined benefit scheme and the assets are held separately from those of the Company in an independently administered fund.

Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each Statement of Financial Position date.

The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred. Net interest on the net defined benefit liability/asset is also recognised in the Statement of Comprehensive Income and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the year by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in other recognised gains and losses.

Actuarial gains and losses are recognised immediately in other recognised gains and losses.

This final salary scheme, like a number of other such schemes, has a deficit. Measures are in place to address this deficit, by increasing employer contributions in the medium term. However, the requirements of Financial Reporting Standard 102 (FRS 102), is to show the pension scheme deficit as a liability on the Statement of Financial Position.

As a result of an agreement between the Company and Reading Borough Council (RBC), a pension related asset, being the guarantee from RBC to cover all related pension costs, exists. The asset will always be equal and opposite to the pension liability, and accordingly, no overall pension scheme asset or liability has been recognised in the Statement of Financial Position.

BRIGHTER FUTURES FOR CHILDREN LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

1.11 Taxation

Tax on the profit or loss for the year comprises of current tax. Tax is recognised in the Statement of Comprehensive Income except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current tax assets and liabilities are not discounted.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the financial reporting date.

2. Critical accounting estimates and areas of judgement

Accounting estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. There are no changes to the estimates or assumptions that would have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Critical areas of judgement

The Directors do not consider that they have made any critical judgements in the preparation of the financial statements.

3. Revenue

An analysis of revenue by class of business for the period ended 31 March 2019 is given below:

	2019
	£
Grant income	17,529,565
Reading Borough Council guarantee income (note 18)	5,649,452
Other income	47,862
	<hr/>
	23,226,879
	<hr/> <hr/>

BRIGHTER FUTURES FOR CHILDREN LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

4. Operating profit

2019

£

The operating profit for the period is stated after charging:

Auditor's remuneration (see below)

36,250

Audit services

Fees payable to the Company's auditors

25,000

Other services

Other services relating to taxation

6,500

Other advisory services

4,750

5. Finance costs

2019

£

Finance loan interest

15,890

15,890

6. Finance income

2019

£

Bank interest income

11,770

7. Taxation

Analysis of the tax charge

No liability to UK corporation tax arose for the period to 31 March 2019.

The Company is in the process of confirming with HM Revenue & Customs that all of its activities fall outside the scope of corporation tax.

8. Staff numbers and costs

2019

Number

The average number of people employed by the Company (including directors) during the period was as follows:

Key and senior management

5

Executive office support

82

Operational

344

431

BRIGHTER FUTURES FOR CHILDREN LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

Staff costs (including directors) during the period were:

	2019
	£
Wages and salaries	4,942,816
Social security costs	440,477
Other pension costs	509,087
Contributions to defined benefit schemes (note 13)	2,782,000
	<hr/>
	8,674,380
	<hr/> <hr/>

Included in staff restructuring costs are non-statutory/non-contractual severance payments totalling £227,642.

9. Directors' emoluments

	2019
	£
Emoluments for qualifying services:	
Aggregate directors' emoluments	135,411
Pension contributions	14,907
	<hr/>
	150,318
	<hr/> <hr/>

The number of directors for whom retirement benefits were accruing under defined benefit schemes in the period was 2.

10. Financial instruments

The Directors have considered the Company's exposure to credit, cash flow and liquidity risks as part of its annual risk assessment procedures. Risks are assessed within the Company's risk register and monitored throughout the period. The directors do not consider the Company to be materially exposed to credit, cash flow or liquidity risk, owing to sufficient bank balances and limited debtor exposures.

11. Debtors

	2019
	£
Trade receivables	34,809
Amounts owed by Reading Borough Council (note 18)	3,686,192
Other receivables	32,976
Prepayments and accrued income	6,390
	<hr/>
	3,760,367
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BRIGHTER FUTURES FOR CHILDREN LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

12. Creditors: amounts falling due within one year

	2019 £
Trade payables	1,801,839
Taxation and social security	1,675,486
Other payables	1,313
Accruals and deferred income	2,535,201
Loan payable to Reading Borough Council (note 18)	5,000,000
	11,013,839
	11,013,839

13. Pension liability

Defined Benefit Scheme

The Company is a member of the Reading Borough Council Pension Fund which is a defined benefit Local Government Pension Scheme (LGPS). The assets of the scheme are held separately, being invested with a managed pension fund. The Company is also a member of the Teachers' Pension Scheme England and Wales ('TPS') which is also a defined benefit scheme for academic and related staff.

The total contribution made for the period ended 31 March 2019 was £758,000, of which employer's contributions totalled £499,000 and employees' contributions totalled £259,000. The agreed contribution rates for future years are 30% for employers and between 5.5% and 12.5% for employees.

Principal Actuarial Assumptions:

	At 31 March 2019
Rate of increase in salaries	3.85%
Rate of increase for pensions	2.35%
Discount rate for scheme liabilities	2.45%

The below table, as produced by Barnett Waddingham LLP sets out the impact of a small change in the discount rates on the defined benefit obligations and projected service cost along with a plus/minus 1 year age rating adjustment to the mortality assumption.

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Assumption:	Movement	Impact 2019 £
Mortality Age Rating Assumption	+ 1 year	1,354,000
Salary Increase Rate	+ 0.1%	1,135,000
Real Discount Rate	+ 0.1%	215,000
Pension Increase Rate	+ 0.1%	955,000

BRIGHTER FUTURES FOR CHILDREN LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

13. Pension liability (continued)

The current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement age 65 are:

	At 31 March 2019 (years)	At 1 Dec 2018 (years)
Retiring today		
Males	22.0	23.2
Females	24.0	25.3
Retiring in 20 years		
Males	23.7	25.4
Females	25.8	27.6

The Company's share of the assets and liabilities in the scheme and the expected rates of return were:

	Fair value at 31 March 2019 £
Equities	10,067,000
Bonds	2,977,000
Property	2,754,000
Cash	1,575,000
Target return portfolio	1,032,000
Commodities	152,000
Infrastructure	1,869,000
Longevity insurance	(589,000)
Total market value of assets	19,837,000 =====

Actual return on scheme assets was £nil.

Amounts recognised in the statement of comprehensive income

	2019 £
Current service cost (net of employee contributions)	2,621,000
Interest cost	158,000
Expected return	-
Past service cost	-
Interest on plan assets	-
Administration expenses	3,000
Total operating charge	2,782,000 =====

BRIGHTER FUTURES FOR CHILDREN LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

13. Pension liability (continued)

Changes in the present value of defined benefit obligations were as follows:

	2019 £
At 1 December 2018	31,090,000
Current service cost	1,298,000
Interest cost	338,000
Employee contributions	259,000
Actuarial gain	-
Benefits paid	-
Change in financial assumptions	5,334,000
Change in demographic assumption	(2,053,000)
Liabilities assumed on settlements	3,155,000
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At 31 March 2019	39,421,000
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Changes in the fair value of the Company's share of scheme assets:

	2019 £
At 1 December 2018	16,225,000
Return on plan assets (excluding net interest on the net defined pension liability)	845,000
Actuarial gains	-
Employer contributions	499,000
Employee contributions	259,000
Benefits paid	-
Administration expenses	(3,000)
Interest on assets	180,000
Settlement prices received/(paid)	1,832,000
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At 31 March 2019	19,837,000
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Contributions to the scheme are charged to the Statement of Comprehensive Income so as to spread the cost of the pensions over the employees' remaining working lives with the Company. Contributions are determined by an independent qualified actuary on the basis of triennial valuations, using the Projected Unit method. The most recent valuation of this Defined Benefit Pension Fund was at 31 March 2019.

BRIGHTER FUTURES FOR CHILDREN LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

13. Pension liability (continued)

The amounts recognised in the Statement of Financial Position are as follows:

	Defined benefit pension plan 2019 £
Present value of funded obligations	(39,421,000)
Fair value of plan assets	19,837,000
Net pension liability	<u>19,584,000</u>
Reading Borough Council guarantee (note 18)	(19,584,000)
	<u>-</u>
Present value of unfunded obligations	-
Deficit	<u>-</u>
Net liability	<u><u>-</u></u>

McCloud Judgement

In December 2018, the Court of Appeal ruled against the Government in the 'McCloud/Sargeant' judgement, which found that the transitional protection arrangements put in place when the firefighters' and judges' pensions schemes were reformed, were age discriminatory. The ruling potentially has implications for all public-sector schemes which were reformed around the same time and could lead to members who were discriminated against being compensated.

In relation to LGPS, all members of the 2008 scheme were moved into the new 2014 scheme, but members within 10 years of normal retirement were given an underpin promise, that their benefits would be at least valuable in terms of amount and when they could be drawn, as they would be if they had remained in the 2008 scheme.

The Government applied to the Supreme Court for permission to appeal the judgement; however, this was unsuccessful on 27 June 2019.

No allowance has been made in the company's valuation of the LGPS present value of funded obligations for the recent McCloud judgement which relates to age discrimination. It is currently unclear how this judgement may affect LGPS members' past or future service benefits for this scheme. The actuary continues to participate in discussions with the governing bodies of the LGPS to understand how this may affect mechanisms within the scheme, however, at the time of producing the valuation report no guidance or indication of the likely impact of this ruling has been provided to funds.

BRIGHTER FUTURES FOR CHILDREN LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

14. Cash generated from operations	2019
	£
Profit before taxation	2,268,930
Add back non-operating items:	
Financial income	(11,770)
Financial expense	15,890
Adjustments for:	
Pension movement (cost, less contributions)	(2,436,000)
Increase in receivables	(3,760,367)
Increase in payables	6,013,839
Cash generated from operations	<u>2,090,522</u>

15. Cash and cash equivalents	2019
	£
Cash at bank and in hand	7,086,402
Cash and cash equivalents in the cash flow statement	<u>7,086,402</u>

16. Contingent assets and liabilities

There are no contingent assets or liabilities as at 31 March 2019.

17. Guarantees and other financial commitments

There were neither guarantees nor financial commitments issued by the Company as at 31 March 2019.

18. Related party disclosures

Reading Borough Council

Reading Borough Council ('RBC' or the 'Council') is the Company's main funding organisation and is the ultimate controlling party.

For the period ended 31 March 2019, RBC guaranteed to cover the losses incurred by Company excluding severance payments made, the interest on the loan from RBC and any holiday pay accrual. This total loss covered by RBC totalled £5,649,452, by virtue of having to include the pension costs in the financial statements of £2,436,000. As at the period end, an amount of £3,686,192 was due from RBC.

As a result of a Memorandum of Understanding between Brighter Futures For Children Limited and RBC, a pension related asset, being a guarantee from RBC to cover the related pension liability, exists. The asset will always be equal and opposite to the pension liability, and accordingly, no asset

BRIGHTER FUTURES FOR CHILDREN LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

18. Related party disclosures (continued)

or liability has been recognised in the Statement of Financial Position. As at 31 March 2019, the pension liability guaranteed by RBC totalled £19,584,000.

During the period ended 31 March 2019 the Council provided, under the terms of a service delivery contract, funding to the Company amounting to £23,179,017.

RBC also charged the Company £1,499,000 under service level agreements for services including, among others, regulatory services, joint legal team, human resources and insurance.

Under the Memorandum of Understanding, the Company is an autonomous organisation, independent of RBC and entered into the Service Delivery Contract in accordance with direction given by the Secretary of State for Education. The Memorandum of Understanding was signed on 28 March and the contract was signed on 30 November 2018.

RBC issued a loan on 3 December 2018 of £5,000,000 to the Company. The interest rate on the loan is 1.0% fixed rate and matured on 29 March 2019. The repayment terms of the loan were subsequently revised from 29 March 2019 to 27 March 2020 at a fixed interest rate of 1.1%. The repayment date has been further extended from 27 March 2020 to 25 March 2021 at a variable interest rate.

As at 31 March 2019, the RBC loan was deemed to be a current liability as the extended repayment date was agreed subsequent to the period end.

19. Ultimate controlling party

The ultimate controlling party during the period and as at 31 March 2019 is Reading Borough Council.

20. Subsequent events

As discussed in note 18, subsequent to the period end, the repayment terms of the RBC loan have been extended.