

St Mungo's Financial Statements
Year ended 31 March 2014

A Future. Now



St Mungo's
Broadway

Rebuilding lives, day by day

ST MUNGO COMMUNITY HOUSING ASSOCIATION
(Registered limited company number 08225808)

Financial Statements

Year Ended

31 March 2014

ST MUNGO COMMUNITY HOUSING ASSOCIATION

FINANCIAL STATEMENTS

31 March 2014

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ST MUNGO COMMUNITY HOUSING ASSOCIATION

THE BOARD, EXECUTIVE OFFICERS AND ADVISORS

The Board

Paul Doe (Chair)
Gillian Charlesworth (Vice Chair to 31/3/2014)
Julian Coningham (resigned 24/9/2013)
Michael Foster (elected 24/9/2013)
Tim Gadd (appointed 1/4/2014)
Edwin Hilliard
Alastair Keir (Treasurer) (appointed 21/5/2013)
Ashwin Kumar (appointed 1/4/2014)
Sir Leigh Lewis (Vice Chair from 1/4/2014)
Peter Matthew (elected 7/11/2013)
John Maxted (appointed 1/4/2014)
Leroy Murdock (resigned 24/9/2013)
Geeta Nanda (elected 4/2/2014)
John Perry (resigned 24/9/2013)
Dharshini Wilkinson (resigned 24/9/2013)
Jane Williams

Executive Officers

Howard Sinclair - Chief Executive (appointed 1/4/2014)
Charles Fraser - Chief Executive and Secretary (resigned 1/4/2014)
Katy Dent - Executive Director, Human Resources
& Corporate Services (resigned 31/3/2014)
Tanya English - Executive Director, Fundraising
& Communications (resigned 18/6/2014)
David Evans - Executive Director, Finance
David Fisher - Executive Director, New Business &
Specialist Support Services (appointed 1/4/2014)
Helen Giles - Executive Director, Human Resources
(appointed 1/4/2014)
Mike McCall - Executive Director, Housing & Support
and Company Secretary (appointed 1/4/2014)
Rebecca Sycamore - Executive Director, Fundraising &
Communications (appointed 1/4/2014)

Registered Office

Griffin House
161 Hammersmith Road
London W6 8BS

Auditors

Nexia Smith & Williamson
25 Moorgate
London EC2R 6AY

Solicitors

Russell-Cooke
2, Putney Hill
London
SW15 6AB

Bankers

HSBC
123 Chancery Lane
London WC2A 1QH

Company No.

08225808

Charity No

1149085

Homes and Communities Agency Registration No.

LH0279

ST MUNGO COMMUNITY HOUSING ASSOCIATION

STRATEGIC REPORT for the year ended 31 March 2014

PRINCIPAL ACTIVITIES

The principal activities of St Mungo Community Housing Association (“the Association” or “St Mungo’s”) are the provision of hostels, supported housing, care homes, resettlement and other rehabilitation programmes for single homeless people, many of whom have slept rough. St Mungo’s provides support to clients who are tenants, residents and service users through keyworking, care services, resettlement, tenancy support and education and employment.

Our vision is that everyone should have a decent place to live, enjoy good health and have something meaningful to do and also have satisfying relationships.

Our mission is to house, support and care for vulnerable and excluded people who either have been or are at risk of sleeping rough and homelessness.

Our values are;

- Respect and Ambition – we respect the life histories of homeless people, believe in their potential and will help them realise their ambitions.
- Excellence and Creativity – we aim for excellent and creative solutions to the changing needs of homeless people.
- Diversity and Equality – we are richer as a charity and as a society by valuing diversity and striving for equality of opportunity.

RESULTS FOR THE YEAR

The results show a surplus for the year of £657,000 (2013: £1,251,000). Turnover increased during the year to £53,639,000 (2013: £48,857,000).

INTRODUCTION BY PAUL DOE, CHAIR OF ST MUNGO’S

This has been a year of great change for St Mungo’s; Charles Fraser CBE stepped down as Chief Executive in March 2014 after 20 years in the role, and 33 years with St Mungo’s.

The Boards of St Mungo’s and Broadway Homelessness and Support Limited decided during 2013/14 to harness the strengths of our two expert charities and agreed to merge. At the heart of the decision was a belief that together we could create a bold new organisation committed to improving the lives of more homeless and excluded people. The merger was completed on 1st April 2014.

While this decision was being discussed, St Mungo’s continued supporting clients to rebuild their lives.

- Our street outreach teams in London, Bristol and Reading worked with more than **3,600** people who were either sleeping rough or at risk of sleeping on the streets.
- They helped **1,181** people off the streets, and into accommodation or helped them to reconnect back to their hometowns in the UK or abroad.
- On any one night we provided supportive housing for more than **1,900** people who were homeless, or at risk of homelessness.
- **878** people moved on from our accommodation into independent living.
- We offered housing and other advice to more than **12,000** people concerned about their housing, including those in prisons.
- We were quoted 46 times by MPs and Government Ministers in the House of Commons, in Commons Committee reports and Government and MP press releases in 2013, helping us to influence policy and present the issues that affect our clients.
- 435 volunteers gave over 82,700 hours of their time to help us provide our services.

ST MUNGO COMMUNITY HOUSING ASSOCIATION

STRATEGIC REPORT (Continued) for the year ended 31 March 2014

REVIEW OF THE BUSINESS

St Mungo's continued to grow outside London and consolidate its position as the largest provider of services for the homeless in the capital. Income grew by 10% to almost £54m at a time when many local authorities continued to cut back on services as a result of reduced budgets.

A number of significant contracts were re-tendered during the year and, while it was disappointing to lose some, we were pleased to be successful in many and see supporting people income grow slightly. In many cases, we have had to find ways of delivering the same services at lower costs and this is partly reflected in a halving of our operating surplus which was boosted in 2012/13 by the sale of land for £650k.

Our expenditure on non-social housing activities increased by £2.5m to £12.5m, most of which related to the support services that complement the housing activities that account for 70% of our expenditure.

Emergency services

Sleeping rough - whether on a park bench, in a subway, in a car park or on the street - is an emergency. Sleeping rough is harmful and dangerous; helping rough sleepers into accommodation is the obvious first step. Our outreach teams identify people who are sleeping rough and to help them find accommodation.

Last year 6,508 people were seen rough sleeping by outreach workers in London; this is a 1% increase from the year before. Of these 4,363 people (67% of the total) were seen sleeping rough for the first time.

To understand more about paths to rough sleeping 2,748 new rough sleepers had information recorded about why they had left their last longer term or settled accommodation; of these 30% were asked to leave by the person they were staying with, or following eviction, 13% left due to a relationship breakdown, 23% left to seek work or following the loss of a job.

While the Combined Homeless and Information Network (CHAIN) database in London produces regular information from the data entered by outreach teams there are less consistent methods of recording rough sleeping outside London. Data from the annual rough sleeping counts is produced by the Department of Communities and Local Government. It records data about numbers sleeping on the streets on a single night (rather than all year as CHAIN does) and also allows local authorities to estimate this number rather than hold a count (counts were held by 48 local authorities and estimates provided by 278 local authorities). The Autumn 2013 total of rough sleeping counts and estimates in England was 2,414. This is up 105 (5%) from the 2012 total of 2,309 and 37% up from 1,768 in 2010 when the first equivalent count took place.

Our street outreach teams in London, Bristol and Reading worked with more than 3,600 people who were either sleeping rough or at risk of sleeping on the streets (London 2,361 clients, Bristol 1,011 and Reading 305). They helped 1,181 people off the streets and either into accommodation or to reconnect back to their hometowns in the UK or abroad (London 514, Bristol 452 and Reading 215).

Street Impact is the first project funded by a social impact bond which works with people sleeping rough in London, through a contract with the Greater London Authority (GLA). Our Street Impact team work with around 400 people who have slept rough for a long period of time or multiple times. They also have complex issues around alcohol, drug use, mental and / or physical ill health.

There is three year focused support for the person around their accommodation, linking them in with better healthcare and access to skills, work and training opportunities. We have had good support from many organisations in developing Street Impact e.g. The Passage, Connection at St Martin's, CRI and local authorities such as City of Westminster, Royal Borough of Kensington and Chelsea and London Borough of Camden.

Last year Street Impact worked with 387 clients; in April 2013 150 clients were rough sleeping but by March 2014 this number had fallen to 52.

ST MUNGO COMMUNITY HOUSING ASSOCIATION

STRATEGIC REPORT (Continued) for the year ended 31 March 2014

REVIEW OF THE BUSINESS (Continued)

We also help to provide accommodation throughout the winter, for example last year St Mungo's managed the Hillingdon winter night shelter provision based at St Andrew's church in Uxbridge for seven weeks from January to March. We housed 14 vulnerable rough sleepers, resettled 13 of them and each client had health checks and benefits work completed

A decent place to live

Each night during 2013/14 we provided supportive housing (either in hostel or specialist housing with support) for more than 1,900 people who were homeless, or at risk of homelessness.

St Mungo's hostels vary in size, but typically they house 30-60 people, all in their own rooms. We also have accommodation for couples.

Every resident has a keyworker, who provides support with finding responsive and integrated solutions to their housing, employment, training and health needs. We encourage all new residents to have a health check and become registered with a GP, and on-site specialist workers help them to address any substance use and/or mental health problems.

Residents also have access to literacy and IT training opportunities on site - as well as 'softer' activities like music and art workshops or complementary therapies. These are all designed to build self-confidence and improve life skills, to help with the process of moving onwards and upwards.

Nearly all of St Mungo's accommodation is temporary and last year 878 people moved on from St Mungo's accommodation to live independently in their own homes.

Successful move on is as much about building a client's resilience and wellbeing throughout their time with us as it is about facilitating an effective move. Our award-nominated Peer Advice Link (PAL) helps clients make the transition to independent living and establish ongoing community support networks. Clients are supported by peer advisors who have experienced moving from services themselves. The service is offered through home visits, a phone line, and a drop-in service. The PAL project has been awarded the Approved Provider Standard (APS), the national benchmark for safe and effective practice in mentoring and befriending, from the Mentoring and Befriending Foundation.

Enjoy good health

Almost a quarter of our clients (23%) are experiencing mental health, physical health and substance use issues at the same time (data from our 2013 client survey). Many of our clients have untreated health conditions when they come to us, and wherever possible they receive a full health check as soon as they arrive.

Our health services reach people excluded from other sources of medical and social care, enabling them to access help for physical and mental health problems, and tackle substance use.

The physical health problems typically associated with rough sleeping can include pneumonia, bronchitis, trench foot, frostbite, wound infections, and respiratory or cardiovascular problems. Recovery from these conditions - invaluable in itself - can also lead to an improvement in mental wellbeing.

We work in partnership with local health services to provide hostel-based GPs and nurses' surgeries. We also have teams of specialist workers who help people with their mental health and substance use issues.

St Mungo's proposal to create a London Homeless Hospital Discharge Network received more than £3.6m funding from the Department of Health in 2013 as part of £10 million of funds for hospital aftercare for homeless people. The project is managed by Homeless Healthcare, our Community Interest Company, established in 2010, to offer expertise and services around healthcare for homeless people. By addressing health problems in the community the aim is to prevent readmission to hospital and A&E attendance.

ST MUNGO COMMUNITY HOUSING ASSOCIATION

STRATEGIC REPORT (Continued) for the year ended 31 March 2014

REVIEW OF THE BUSINESS (Continued)

Street Med is also managed by Homeless Healthcare. It provides nurse led outreach to homeless people to help them address their physical and / or mental health needs, which are often serious and multiple. Of the 86 people with physical and / or mental health problems who used Street Med in 2013/14 the number engaged with their GP increased from 17, in April 2013 to 52, by March 2014. In April 2013, 57 of the 86 were rough sleeping, by March 2014 this had reduced to 28.

We also recognise that our clients may come to us at a point when they could be approaching the end of their life. This year we launched our ground-breaking Homelessness and End of Life Care resource pack – the first of its kind in the UK – in partnership with Marie Curie Cancer Care. The pack includes tools and resources to help staff talk confidently about end of life care issues with clients. We provided training to 90 frontline staff, both within St Mungo's and externally, to help them support people who are nearing the end of their lives. We also provided end of life care to 20 clients.

Something meaningful to do – and also have satisfying relationships

Once in a hostel or housing project, residents are assigned a keyworker to provide support with finding responsive and personalised solutions for housing, employment, training or health concerns.

Residents have on-site access to literacy and IT training opportunities, alongside 'softer' activities; all designed to build self-confidence and improve life skills to help with supporting someone's recovery.

These activities can include, for example, music and art workshops or complementary therapies, creative writing or film making. We also have learning champions among clients, and champions who link in residents with local community activities too.

The Recovery College is an innovative project which offers a variety of free courses aimed at people who have experienced homelessness. Students can enrol onto a variety of Recovery College day or weekly courses, jointly designed by, and for, clients, staff and others, in London and Bristol.

Our new **Residential College** started in September. This pioneering residential programme of education, training and work experience will guarantee to improve students' English, Maths and IT skills as well as giving them the chance to gain volunteering and work experience.

Despite the challenges homeless people face, such as poor health or educational needs, the majority of our clients have a desire to work, either now or in the future. To help them towards this goal, we offer a large range of activities as well as skills and employment programmes including: Gardening (Putting Down Roots), Painting and Decorating training programme, Bricks & Mortar training programme, Endell Street and Mare Street music studios, and ReVive, our decorating social enterprise.

Last year St Mungo's Skills & Employment teams in London and at our Compass Centre in Bristol worked with 1,879 people. Of these 490 went on to further training, volunteering, work placements, employment, or gained at least one qualification. Last year 33 people were employed by our apprenticeship scheme.

The St Mungo's Apprenticeship Scheme provides a supportive career pathway into the homeless sector for people who have experienced homelessness. It is a 12-month paid post which combines working as an Apprentice Project Worker in one of our accommodation projects, with attending training and work towards the Intermediate Apprenticeship in Health and Social Care.

It offers apprentices the opportunity to gain the skills and experience needed to equip them to work in our frontline services and within the sector in the future.

Developing our services

The economic climate we work in has continued to be a challenging one, with further reductions in Supporting People and other statutory funding alongside changes in welfare provision having an impact.

ST MUNGO COMMUNITY HOUSING ASSOCIATION

STRATEGIC REPORT (Continued) for the year ended 31 March 2014

REVIEW OF THE BUSINESS (Continued)

We are not alone in experiencing the impact of these changes. Research by Homeless Link in the Survey of Needs and Provision (SNAP) survey 2013 found the capacity of the homelessness sector has continued to decline, with the number of accommodation projects at its lowest since SNAP 2009 (down 11%), and the number of bed spaces the lowest since SNAP started in 2008 at 39,638.

We have continued to win new contracts, to invest in our fundraising activities and also to explore new ways of paying for services – such as the social investment model as exemplified by our involvement in the GLA's Social Impact Bond – the first linked to homelessness.

This contract gives St Mungo's the opportunity to earn £2.4m over three years in payment by results relating to a cohort of 415 people who have regularly slept on the streets of London.

New Business

We were successful in winning several new contracts this year and being re-awarded contracts we were already running. This is testament to our strong relationships with commissioners, our staff working to deliver good services and the added value activities that we deliver. Examples of our new contracts this year include:

Women Rough Sleepers Supported Accommodation in eight boroughs commissioned by East London Housing Partnership (ELHP). This is a specialist targeted project for women with multiple needs.

Peer Advice Link (PAL) scheme in Spelthorne, Surrey. The new service will provide support to tenants in the council's temporary accommodation across 28 sites in the Spelthorne area.

Support Services for Offenders in London Borough of Hackney - a complex needs service and a low support service, both accommodation based.

We are pleased that we are going to be continuing to deliver many of our services in Camden Also, commissioners in Hackney and Lewisham have agreed to extend our contracts for some key services. In addition we were successful in securing the Reading Outreach contract for another three years. Mulberry House and Building Bridges to Wellbeing contracts in Bath have also been extended.

Our work with other agencies is very important in enabling us to reach more clients. New services have been established in partnership including:

Haringey Substance Use (in partnership with the Haringey Advisory Group on Alcohol (HAGA), Drugs Advisory Service Haringey (DASH) and Blenheim CDP) to support individuals, their families and carers in their recovery.

With The Connection at St Martin-in-the-Fields and The Passage, delivery of a mental health reconnection service across Westminster. These two agencies have also supported us in our Social Impact Bond work.

In partnership with St Giles Trust, a new service supporting offenders, to access housing, employment, training opportunities, reconnect with their families, and move their lives forward to a place where they are secure and not reoffending.

In partnership with Avon and Wiltshire Mental Health Partnership NHS Trust Specialist Drug and Alcohol Service (SDAS), Bristol Drugs Project (BDP) successful in tendering to three elements of the new drug and alcohol service, commissioned by Safer Bristol of Bristol City Council.

In partnership with Foundation66, we hold a contract from London Councils to run The TARGET project to help around 300 people across 33 London boroughs towards, and into, jobs.

We also worked with supporters such as the Better Community Business Network and the National Zakat Foundation to fully fund the Date Palm project for young men leaving prison due to open in 2014-15.

ST MUNGO COMMUNITY HOUSING ASSOCIATION

STRATEGIC REPORT (Continued) for the year ended 31 March 2014

REVIEW OF THE BUSINESS (Continued)

We continued to work in partnership with Broadway Homelessness and Support to deliver the No Second Night Out (NSNO) service on behalf of the Mayor of London.

Award Winning Services

In 2013-14 we won the following awards:

Silver in the Learning Awards for our Apprenticeship Scheme

Hosted by the Learning and Performance Institute (LPI), the Learning Awards recognises outstanding examples of high standards, best practice, innovation and excellence in Learning and Development.

Floating Support Service for High Risk Offenders team in Bristol: Howard League for Penal Reform Awards 2013 – Adult Category

St Mungo's Bristol-based team of four worked with 150 people during 2012-13, with a non- reoffending rate of 83%.

Richard Kilmartin, St Mungo's Housing Advice Worker: Inspirational Team Member 2013 – London Probation Trust

Richard worked with 140 offenders and ex offenders last year, helping 98 of them move into housing. He was nominated by colleagues at the Probation Service in Harrow for his commitment to providing housing and other support, helping people to rebuild their lives and desist from offending.

Putting Down Roots, our gardening training programme City of London Growing Localities – Gardening and Growing Food category

We won this award for helping to boost employment prospects in the horticultural sector amongst homeless people.

St Mungo's and Thomson Reuters Elite Business Charity Awards – Charity Partnership: Short Term category

St Mungo's and Thomson Reuters Elite worked together to highlight women's homelessness. Over 18 months we developed a major multimedia project, Where From? Where Now? with international photographer Georgina Cranston.

Shortlisted

- Recovery College in the London Councils' Andy Ludlow Homelessness Awards
- The Andy Ludlow Awards is a celebration of innovation and best practice among organisations tackling homelessness in London. The Recovery College provides learning opportunities and a safe and supportive environment. Courses are designed and taught with, and by, our clients.
- Finalist in the Skills for Care Accolades, Apprenticeship category
- Putting Down Roots' transformation of the gardens at St John's Church in Waterloo, London – The Conversation Foundation's Gardening Against the Odds Awards, in partnership with the Sunday Telegraph
- Project 195 in Oxford won bronze in the category of Community Garden Therapy Award at the Oxford in Bloom competition

St Mungo's as an employer

People at St Mungo's work hard and often do a complex and demanding job. They deserve the very best from how we manage and organise ourselves, which requires our continued focus on improving how we work together. This was recognised in 2012 when St Mungo's achieved the Advanced Silver Level Accreditation for Investors in People

ST MUNGO COMMUNITY HOUSING ASSOCIATION

STRATEGIC REPORT (Continued) for the year ended 31 March 2014

REVIEW OF THE BUSINESS (Continued)

(iP) - the UK's leading people management standard. Alongside this, St Mungo's approach to using volunteers has developed significantly in the last few years and this led to the achievement of the Investing in Volunteers (iV) standard also in 2012. We have continued to focus on our programme for improvement based on the report from the iP assessment.

This year we are delighted that St Mungo's was recognised as a **Leader in Diversity** - a standard of accreditation that very few organisations in the UK have been successful in achieving. This is testament to our commitment to continuous improvement and good practice in this area, providing a safe and inclusive environment for all. We were named joint 11th most gay friendly employer in the Stonewall workplace equality index – and the highest ranked charity. Our LGBT group was also named a Star Performer Network Group for its work by Stonewall.

In addition to recognising the commitment of our staff, we are grateful to the 435 volunteers who gave over 82,700 hours of their time to help us provide our services in 2013/14.

Our influence

St Mungo's works with MPs, London Assembly Members and local councillors from across the main political parties. We believe this helps us to:

- improve people's understanding of the varied and complex issues that affect the lives of people who are homeless;
- explain our approach to supporting people who are homeless, or at risk of homelessness;
- encourage decision makers to challenge, debate and influence policies in an informed way to improve the quality of life for people who are homeless or vulnerable;
- fulfil our commitment to building positive relationships with our neighbours and local stakeholders.

We involve the people who use our services in this work as much as possible. Often our clients are happy to share their experiences, discuss the causes and consequences of their homelessness and give a view on what more can be done to help people who are homeless, or at risk of homelessness.

These are some examples of how we engaged with decision makers last year. We gave oral evidence to the Commons Work and Pensions Committee on the impact of welfare reform on housing support costs after which we were quoted in the report and by the Minister.

We appeared in front of the Ministerial Working Group on Homelessness to present our successful proposal for our ground breaking pre-employment support programme for people who are homeless, STRIVE, delivered in partnership with Crisis.

We said No More to rough sleeping and called for better prevention during our Action Week. Our No More report was launched at a parliamentary reception attended by 37 MPs and Peers.

The Rebuilding Shattered Lives report was launched at a reception in Westminster in March 2014. Speaking at the event, Norman Baker MP, Minister of State for Crime Prevention, said the report's recommendations would be considered by the Home Office and other relevant Government departments. The report will also be presented at the next cross-departmental Ministerial Working Group on homelessness.

We began peer researching the basic skills levels of our clients for a report in 2013-14. We launched our Reading Matters campaign, calling on the government to make skills training well funded, suitable and accessible to all homeless people. Thousands of people signed our petition. We gave oral evidence to the Business Innovation and Skills Committee on adult literacy and numeracy after which we were quoted in the report and by the Minister.

Over the course of the year we were quoted 46 times by MPs and Government Ministers in the House of Commons, in Commons Committee reports and Government and MP press releases in 2013. We hosted 15 MP visits to projects including Ministers for Housing, Skills, Housing, Public Health and Care Services.

VALUE FOR MONEY

Introduction

As a provider of accommodation and support services to over 25,000 service users (of which 3,000 are service users to whom we provide accommodation) with histories of homelessness and often complicated health, offending and basic skills problems St Mungo's worked in an operating environment that is substantially different from, for example, general needs housing providers. When we translate fund-raised, benefit, grant and contractual funding into meaningful change in the lives of service users we generate huge social value. We are ruthless in our pursuit of efficiency because it enables us to maximise our impact. Ours is a highly competitive operating environment with almost half of our turnover accruing from contracts won in competitive tenders.

This summary provides the headlines and examples of our approach to value for money and its outcomes. The activities described in 2013/14 cover St Mungo's. The activity described for 2014/15 is for the newly merged St Mungo's Broadway. Greater detail can be found in our Value for Money Self Assessment which you can find on our website from late September onwards:

http://www.mungosbroadway.org.uk/about/current_annual_review/vfm

The merger with Broadway

During 2013/14 St Mungo's planned and negotiated the merger with Broadway which took place on 1st April 2014. This was a decision driven by the concept of improving value and thereby being able to improve more outcomes for more service users. The merged operation will reduce back office costs and spread them over a wider service base. Moreover the wider spread of service types, locations and assets will make the new organisation better able to compete for more and for different contracts than formerly and provide a greater range and depth of services to our clients. We will deliver a minimum of £1.5m in savings accruing from the merger, including £750k savings in management and support posts.

Governance and regulation

There were failings in the management of the publication of the 2012/13 Homes and Communities Agency (HCA) VFM Self-Assessment that led to a HCA downgrade for St Mungo's to the G2 Governance rating. The events have been analysed and changes are in hand to both the processes by which compliance is managed and the role of governance in compliance and managing corporate risk. Moreover we have completed a root and branch review of governance for the merged organisation, with external support, and are in the course of implementing its findings. The new approach ensures strong Board control of the issues of value and compliance.

Our strategic approach

The Board have laid out our strategic approach to achieving value which is appropriate to the context of our work and the environment that we operate in. We are committed to achieving value by delivering high quality services efficiently to achieve change in the lives of the people we support thereby delivering social value to the wider community. The change we are seeking to achieve for our service users incurs high cost to achieve high benefits. The considerable savings to the state purse in terms of policing, medical and benefit costs when we support a homeless person into accommodation and employment hugely outweigh the costs of the support.

Our services are a complex matrix of assets, housing and support services:

- 1,573 Hostel/Supported bedspaces in 168 buildings.
- 300 units of self-contained accommodation
- 63 service contracts with 37 different commissioning bodies

It is our strategic challenge to weave together these complex arrangements to enable our service users to make big changes in their lives. Our challenge in terms of value is to ensure that our approach drills down to the level at which it can make an impact.

12% of our income is from fund raising. We use this income to enable us to configure our services to deliver

ST MUNGO COMMUNITY HOUSING ASSOCIATION

STRATEGIC REPORT (Continued) for the year ended 31 March 2014

VALUE FOR MONEY (Continued)

maximum value. Our income from fund-raising re-doubles our motivation to achieve maximum value for every pound we invest.

Our operating environment

44% of our turnover is accounted for by contracts awarded through procurement. This means that there is a stringent test of the relationship between proposed cost and proposed quality during the tender process. Once in contract we work hard to achieve operational efficiencies that are put to uses agreed with the client. Last year we won 23 new contracts in a highly competitive market and had 15 contracts with a value of £9m extended. These successes reflect the value we promise and deliver in terms of cost, quality and outcomes.

We add value to our contracts. For example we run services that are open to all our clients and are funded from charitable sources (e.g. LifeWorks our psychotherapy service, skills/employment training initiatives and our Recovery College). These projects help the clients to progress in their recovery, which in turn supports our work to achieve outcomes for our commissioners. The value judgement that we make lies in our understanding of service user needs. When we identify a cost effective opportunity to improve outcomes we will act if our funding position allows. We then monitor the effect on outcomes to ensure that the funding is achieving its intended purpose and spread our knowledge across our sector to ensure greater coverage and impact for clients

Achieving value in our assets

St Mungo's has continued to invest in buildings and adopted a dynamic approach to asset management based on the changing requirements of clients and commissioners. A good example of this is our Great Guildford Street hostel in Southwark which will open in the autumn of 2014 to provide accommodation and support to 53 residents, 50% grant funded and £2.5m invested by St Mungo's. Although the financial return on this investment is low the social value is high: Fifty residents who do not return to the streets will save local authorities over £400k each year. Replicated across over 600 hostel bedspaces the annual saving is over £5m. The 1,181 individuals who our outreach teams helped off the streets, not all of who will have moved into St Mungo's accommodation, will save local authorities almost £10m each year if they do not return to rough sleeping. (The social value figures have been estimated using The Cabinet Office's 2014 Centre for Social Impact Bonds Toolkit).

Achieving value in our services

We hold in excess of 60 contracts from public sector commissioners; largely local authorities. We run more than 200 services across London and the South of England; they include outreach services, hostels, and advice services linked to prisons, training and employment initiatives.

This variety of services means that our value for money strategy focuses on achieving value in individual services. We then seek to apply the learning at a cross-organisational level and to embed both the core approach and ongoing learning across services and business support functions.

Case study - Street Impact

Street Impact is a project under the auspices of the Department for Communities and Local Government (DCLG) 'social impact bond.' Social investors put up the funds to meet the scheme's running costs and are reimbursed on a payment by results basis by the GLA only if the project achieves the targeted outcomes (which represent a significant financial return for the government in lower health, policing and other costs). By March 2014, 98 of the 150 Street Impact clients who had been rough sleeping a year earlier were in accommodation, saving local authorities £0.8m a year by not being on the streets.

Financial management

Our business model is well tested and our history bears out that it works. The role played by short term contracts in our business means that sound financial management of contracts in pricing and in operation is of key importance together with our longer term financial planning around our assets. Also important is our approach to reserves. In line with our policy at year end, unrestricted reserves, less the value of housing properties, were £8.9m and represented 24% of the funding requirement for 2014/15 excluding rental income. A furniture reserve of £1.7m and a maintenance reserve of £1.6m accounted for 93% of the designated reserves of £3.6m. These reserves continue to cover the cost of replacing

ST MUNGO COMMUNITY HOUSING ASSOCIATION

STRATEGIC REPORT (Continued) for the year ended 31 March 2014

VALUE FOR MONEY (Continued)

furniture and equipment and the cyclical maintenance of property. Restricted reserves were £1.3m at year end. £0.7m of this reserve was spent during the year on designated activities and a further £1.1m was received. Reserves are monitored closely and reviewed annually by the Board.

RESERVES POLICY

St Mungo's has to generate an adequate level of surplus now and in the future in order to ensure that reserves are at a level which will provide financial stability and sufficient working capital to enable the Association to meet the cost of unforeseen events. We have a responsibility to keep our properties in a good state of repair and need to hold reserves which can, when required, be reinvested in our support services and assets. Our policy on free reserves is that after taking account of those reserves which represent our housing properties the balance should be no more than 25% of the Association's funding requirements, excluding rental income for the next twelve months. At year end, unrestricted reserves, less the value of housing properties, were £8.9m and represented 24% of the funding requirement for 2014/15 excluding rental income. A furniture reserve of £1.7m and a maintenance reserve of £1.6m accounted for 93% of the designated reserves of £3.6m. Restricted reserves were £1.3m at year end.

RISK MANAGEMENT

The Board has direct responsibility for overseeing the management of risk. We have a formal risk register and risk map monitored by the Audit and Risk Committee on a regular basis. In terms of risks relevant to value the main risks relate to cuts in statutory funding which have an impact on the services that we deliver and restrict growth potential. We monitor the situation on a monthly basis and actively monitor performance. We are also mindful of the risks arising from competition, policy changes and regulation/compliance.

NOW AND IN THE FUTURE

The newly merged St Mungo's Broadway is in the early stages of a period of significant changes arising from the merger. These changes offer opportunities to generate cashable savings through rationalisation. We have forecast savings of £1.5m representing 2% of our operating costs, through savings in management posts, reduced staff sickness and absence, close management of voids and bad debts and improved procurement outcomes. We need to run the business first before we can run the charity and our pursuit of efficiency is rooted in both of these drivers. We have detailed integration plans in place and underway, closely monitored at Board level who are meeting monthly during this key period of integration. We are also in the midst of implementing root and branch changes to our governance model that take cognisance of our histories whilst ensuring that our approach is able to robustly manage the commercial risks of our operating environment.

Other current initiatives pertinent to value are:

- We are developing an inclusive strategy and business plan with all our key stakeholders: clients, staff, partner agencies, funders, and supporters
- We are developing and will implement a new approach to corporate risk management, audit and regulation/compliance
- With grant rates falling we are working on innovative ways of raising funds, such as bonds, which will meet the cost of new buildings e.g. expanding the Real Lettings Property Fund.
- We are reviewing how we use the reserves we have to lever the funds needed at a cost which we can afford.
- We are assessing the best way to leverage the value of our assets.
- We are reviewing our information strategy so that we are better able to show a social return on investment across functional areas – rather than just within individual services.
- We are improving our generic approach to capturing outcomes and social value across our many services

The next year promises to be both demanding and rewarding and we intend to build on the existing approaches to achieving value to produce greater efficiencies and better outcomes.

Paul Doe
Chair
12 August 2014

ST MUNGO COMMUNITY HOUSING ASSOCIATION

REPORT OF THE BOARD OF DIRECTORS for the year ended 31 March 2014

The Board has pleasure in presenting its report and audited financial statements for the year ended 31st March 2014.

CORPORATE GOVERNANCE

The Board has adopted the National Housing Federation (NHF) framework on corporate governance, "Excellence in Governance" which the Association has complied with throughout the period.

COMPOSITION AND ROLE OF THE BOARD OF DIRECTORS

The twelve Board members (who are also the directors of the Association for the purpose of company law and its charity trustees) at the date of this report are listed on page 1. During the year the Board met on six occasions.

It has a formal schedule of matters reserved for its decision, which includes overall strategy and future development, allocation of financial resources, acquisitions and disposals, annual budgets, annual results, senior executive appointments, treasury policy and risk management. Responsibility for the Association's day to day operations is delegated to the Chief Executive.

STATEMENT OF THE BOARD OF DIRECTORS' FINANCIAL RESPONSIBILITIES

The Board is responsible for preparing the Strategic Report, the Report of the Board of Directors and the financial statements in accordance with applicable laws and regulations.

The Board (who are also the directors of the Association for the purpose of company law) is required by company law and registered social housing legislation to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Association and of the surplus or deficit for that period. In preparing the financial statements, the Board is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business.

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy the financial position of the Association at any time and from which financial statements can be prepared to comply with the Companies Act 2006, the Housing and Regeneration Act 2008 and the Accounting Direction of Private Registered Providers of Social Housing 2012. The Board is also responsible for safeguarding the assets of the Association and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

DISCLOSURE OF INFORMATION TO AUDITORS

The Board as at the date of approval of this report confirm that:

- so far as the Board are aware, there is no relevant audit information of which the Association's auditor is unaware;
- the Board have taken all the steps that they ought to have taken as Directors to make themselves aware of any relevant audit information and to establish that the Association's auditors are aware of that information.

ST MUNGO COMMUNITY HOUSING ASSOCIATION

REPORT OF THE BOARD OF DIRECTORS (Continued) for the year ended 31 March 2014

INTERNAL CONTROL ASSURANCE

The Board has overall responsibility for establishing and overseeing a framework of delegation and the system of internal control and for reviewing its effectiveness in line with the Association's corporate code of governance.

No system of internal control can provide absolute assurance or eliminate all risk. The system of internal control is designed to manage risk and to provide reasonable assurance that key business objectives and expected outcomes will be achieved. It also exists to give reasonable assurance about the preparation and reliability of financial and operational information and the safeguarding of the Association's assets and interests.

The Audit Committee has met three times during the year and has received reports relating to internal controls and fraud.

The process adopted by the Board in reviewing the effectiveness of the system of internal control and fraud management, together with some of the key elements of the control framework includes:

- *Monitoring and corrective action*

A process of control self-assessment and regular management reporting on control issues provides hierarchical assurance to successive levels of management and to the Board. This includes a rigorous procedure for ensuring that corrective action is taken in relation to any significant control issues, particularly those with a material impact on the financial statements.

- *Control environment and control procedures*

The Board retains responsibility for a defined range of issues covering strategic, operational, financial and compliance issues including treasury strategy and new investment projects.

The Association has policies with regard to the quality, integrity and ethics of its employees which are supported by a framework of policies and procedures with which employees must comply. These cover issues such as delegated authority, segregation of duties, accounting, treasury management, health and safety, data and asset protection, fraud prevention and detection and whistleblowing.

- *Information and financial reporting systems*

Financial reporting procedures include detailed budgets for the year ahead and forecasts for subsequent years. These are reviewed and approved by the Board. The Board also regularly reviews key performance indicators to assess progress towards the achievement of key business objectives, targets and outcomes. The internal control framework and the risk management process are subject to regular review by the Internal Auditor who is responsible for providing independent assurance to the Board via its Audit Committee. The Audit Committee considers internal control and risk at each of its meetings during the year.

The Board has received the Chief Executive's annual report, has conducted its annual review of the effectiveness of the system of internal control and has taken account of any changes needed to maintain the effectiveness of the risk management and control process.

The Board confirms that there is an ongoing process for identifying, evaluating and managing significant risks faced by the Association. This process has been in place throughout the year under review, up to the date of the annual report, it is regularly reviewed by the Board and is continuing.

- *Fraud prevention and detection*

The Board has issued fraud and whistle blowing strategies that have been communicated to all staff and service users. Where fraud is attempted, suspected or discovered there are clear procedures in place to investigate and report the findings. A detailed record of all reported losses and compensation (resulting from fraud or not) is maintained, the effects financial or otherwise and the implications for the system of internal control are recorded and reported to the Board quarterly.

ST MUNGO COMMUNITY HOUSING ASSOCIATION

REPORT OF THE BOARD OF DIRECTORS (Continued) for the year ended 31 March 2014

PUBLIC BENEFIT

The Board have had regard to the Charity Commission's general guidance on public benefit and are satisfied that we provide considerable public benefit. The objectives in our current Business Plan are to tackle the causes and consequences of homelessness, to influence policy affecting homeless people, to help our clients take control of their lives and to provide services of demonstrable quality. All of these are entirely focussed on public benefit and will be reviewed before our next Business Plan is produced in 2015.

FUNDING

The Association is greatly appreciative of the funding it receives from a number of sources. The main sources of donations during the year were:

Companies

Bank of America Merrill Lynch
British American Tobacco
Caterplus
Karmarama
M&G Investments
Macfarlanes LLP

Miller Insurance Services LLP
Robert Bion and Co Ltd
Rolls-Royce plc
Royal Opera House Staff & Artists' Charity Project
SKAGEN Funds
Winkworth Sherwood

Trusts and Foundations

Adint Charitable Trust
Anton Jurgens Charitable Trust
Breadsticks Foundation
Camden Charities
Charterhouse Charitable Trust
City Bridge Trust
Comic Relief
Dr. Mortimer and Theresa Sackler Foundation
Ecominds, part of Big Lottery Fund
Esmée Fairbairn Foundation
Evan Cornish Foundation
Holbeck Charitable Trust
Inner London Magistrates' Court's Poor Box Charity
John Coates Charitable Trust
Jusaca Charitable Trust
Merchant Taylors' Company's Charities Fund
Milton Damerel Trust
Oak Foundation

Ofenheim Charitable Trust
Richard Cloudesley's Charity
St Andrew Holborn Charity
The 29th May 1961 Charitable Trust
The Elizabeth Frankland Moore and Star Foundation
The Ettedgui Charitable Trust
The Finnis Scott Foundation
The Freshfield Foundation
The Grand Order Of Lady Ratlings 'Cup Of Kindness'
Charity
The Henry Smith Charity
The Hintze Family Charitable Foundation
The Maudsley Charity
The Northwick Trust
The Progress Foundation
The Stewarts Law Foundation
The Zochonis Charitable Trust
Westminster Amalgamated Charity

Individuals

Jane Adams
Caroline Brakspear
Sarah Byrt
Rob Collinge
Colonel Patrick Daniell CBE
Simon and Caroline Davis
Steve and Melanie Edge
Susan Edwards

Malcolm Gammie QC
David and Virginia Mayhew
Lisa McNulty
Hugh and Pamela Moir
The Murray Family
Dr M Nygren
Fiona and David Symondson
Brian Worth

Business Leaders Club

Julian Knott
David Mayhew
James Wilmot-Smith

Community Groups

Who is Hussain
Loughborough University RAG

ST MUNGO COMMUNITY HOUSING ASSOCIATION

**REPORT OF THE BOARD OF DIRECTORS (Continued)
for the year ended 31 March 2014**

FUNDING (Continued)

We are also grateful for support received from members of the public, and other companies and trusts during the year.

EMPLOYEES

St Mungo's is committed to providing equal employment opportunities to disabled, ethnic minority, LGBT and part time workers. The Association recognises that all employees should be appropriately trained to enable them to fulfil their responsibilities whatever their role in the Association. The Association has a comprehensive Health and Safety policy and detailed procedures which are communicated to all staff.



MIKE McCALL
Company Secretary
12 August 2014

ST MUNGO COMMUNITY HOUSING ASSOCIATION

REPORT OF THE AUDITORS

Independent auditors' report to the members of St Mungo Community Housing Association

We have audited the financial statements of St Mungo Community Housing Association for the year ended 31 March 2014 which comprise the Statement of Financial Activities (including the income and expenditure account), the Balance Sheet, the Cash Flow Statement and the related notes 1 to 34. 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).

This report is made solely to the Association's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Association'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 Association and the Association's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Board of Directors and auditors

As explained more fully in the Statement of the Board of Directors' Financial Responsibilities set out on page 12 the Board (who are also the directors of the company for the purposes of company law) is responsible for the preparation of the financial statements which 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 Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2014 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006; and
- have been properly prepared in accordance with the Housing and Regeneration Act 2008 and The Accounting Direction for Private Registered Providers of Social Housing 2012.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Report of the Board of Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 and the Housing and Regeneration Act 2008 require 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.

Andrew Bond
Senior Statutory Auditor, for and behalf of
Nexia Smith & Williamson
Statutory Auditor
Chartered Accountants

Date 5/9/14

Andrew Bond

25 Moorgate
London
EC2R 6AY

ST MUNGO COMMUNITY HOUSING ASSOCIATION

**STATEMENT OF FINANCIAL ACTIVITIES
(including an income and expenditure account)
for the year ended 31 March 2014**

	Note	Unrestricted General £000	Designated £000	Restricted £000	Total 2014 £000	Total 2013 £000
Incoming resources						
Charitable activities:						
Social Housing	2	39,023	921	235	40,179	37,779
Non Social Housing	2	6,042	-	853	6,895	4,798
Incoming resources from generating funds:						
Voluntary Income	28	6,565	-	-	6,565	5,630
Investment Income	6	193	-	-	193	263
Other		-	-	-	-	650
Total incoming resources		51,823	921	1,088	53,832	49,120
Resources expended						
Charitable Activities:						
Social Housing	2	36,578	638	231	37,447	35,152
Non Social Housing	2	11,718	245	513	12,476	10,060
Cost of generating voluntary income	28	3,209	-	-	3,209	2,615
Governance costs		39	-	-	39	37
Interest payable	7	4	-	-	4	5
Total resources expended		51,548	883	744	53,175	47,869
Net incoming resources		275	38	344	657	1,251
Transfers		(60)	-	60	-	-
Net movement in funds		215	38	404	657	1,251
Resources brought forward		<u>16,075</u>	<u>3,546</u>	<u>857</u>	<u>20,478</u>	<u>19,227</u>
Reserves carried forward		<u>16,290</u>	<u>3,584</u>	<u>1,261</u>	<u>21,135</u>	<u>20,478</u>

All of the above results relate to continuing activities. There are no material differences between the surplus for the year as stated above and the reserves carried forward and their historical costs equivalent.

There were no recognised surpluses or deficits other than those included in the statement above and therefore no statement of recognised surpluses or deficits has been presented.

ST MUNGO COMMUNITY HOUSING ASSOCIATION

BALANCE SHEET

As at 31 March 2014

Company No. 08225808

	Note	2014 £000	2013 £000
Fixed assets			
Housing properties	9	101,327	95,300
Social housing grants	9	(77,489)	(76,411)
Charitable & other grants	9	(10,703)	(8,411)
Accumulated depreciation	9	(2,134)	(2,096)
		<u>11,001</u>	<u>8,382</u>
Other tangible fixed assets	10	20	73
Investments	12	-	-
		<u>11,021</u>	<u>8,455</u>
Current assets			
Debtors	11	7,782	4,810
Cash at bank and in hand	18	15,628	16,602
		<u>23,410</u>	<u>21,412</u>
Creditors			
Amount falling due within one year	13	(13,260)	(9,346)
		<u>10,150</u>	<u>12,066</u>
Total assets less current liabilities			
		<u>21,171</u>	<u>20,521</u>
Creditors			
Amounts falling due after more than one year	14	(36)	(43)
Net assets			
		<u>21,135</u>	<u>20,478</u>
Capital and reserves			
Restricted reserves	21	1,261	857
Unrestricted reserves			
Designated	20	3,584	3,546
General	19	<u>16,290</u>	<u>16,075</u>
Total unrestricted reserves		<u>19,874</u>	<u>19,621</u>
Total reserves		<u>21,135</u>	<u>20,478</u>

These financial statements were approved by the Board of Directors on 12 August 2014 and signed on its behalf by:

PAUL DOE
Chair



MIKE McCALL
Company Secretary



The notes on pages 20 to 44 form part of these financial statements.

ST MUNGO COMMUNITY HOUSING ASSOCIATION

CASHFLOW STATEMENT for the year ended 31 March 2014

	Note	2014 £000	2013 £000
Net cash inflow from operating activities	15a	2,797	2,494
Returns on investment and servicing of finance	16a	189	258
Capital expenditure and financial investment	16b	(3,953)	(814)
Cash (outflow)/inflow before use of liquid resources and financing		(967)	1,938
Management of liquid resources	16c	1,842	(1,933)
Financing	16d	(7)	(9)
Increase/(decrease) in cash in the period		868	(4)

The notes on pages 20 to 44 form part of these financial statements.

ST MUNGO COMMUNITY HOUSING ASSOCIATION

**NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2014**

1. PRINCIPAL ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Association's financial statements.

a) Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable Accounting Standards, with special regard to the Statement of Recommended Practice "Accounting by Registered Social Housing Providers Update 2010" issued in October 2010 ("SORP 2010"), the Accounting Direction of Private Registered Providers of Social Housing 2012 and Charities (Accounts and Reports) Regulations 2008. The Association is both a registered charity and a registered provider of social housing, and sees both of these areas represented significantly in its activities. In particular, it received a large amount of charitable income and incurs related expenditure to do this. The Board consider that the financial statements should be prepared to reflect the Association's aims and to satisfy the different reporting needs of users. Therefore they have produced a Statement of Financial Activities (SOFA), incorporating an income and expenditure account which satisfied the reporting requirements of the Companies Act 2006, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2012. Changes in the charitable status of the Association have not affected the Association's status as a Registered Provider. For this reason, the directors have decided not to adopt in full the charity SORP.

The financial statements represent the activities of the Association only. The subsidiary companies have not been consolidated into the company's results as they are not material to the group.

b) Fixed assets and depreciation

i) Housing properties

Housing properties are stated at cost. Additions to housing properties under construction as a result of development expenditure are shown as "additions" and are transferred to completed properties when they are ready for letting. Cost includes the cost of acquiring land and buildings, development costs, interest charges incurred during the development period and expenditure in respect of capital improvements.

The Association accounts for its expenditure on housing properties using component accounting. Under component accounting, the housing property is divided into those major components which are considered to have substantially different useful economic lives. These components are then depreciated over their individual useful economic lives. The particular components useful economic lives when new are as follows:

Components

Land	Infinite
Structure	100 years
Roof	70 years
Windows	30 years
Bathroom	30 years
Kitchen	20 years
Mechanical & electrical installations	20 years

Where a separate identified and depreciated component of an existing property is replaced, the carrying value of the component is expensed and the cost of the replacement component capitalised.

In arriving at the depreciable amount of components, an appropriate proportion of grant is deducted from the component's cost. The depreciable amount of housing properties is depreciated over the above periods on a straight line basis.

ST MUNGO COMMUNITY HOUSING ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS (Continued) for the year ended 31 March 2014

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

i) Housing properties (Continued)

Where a repair involves replacement, renewal or repair of items within the fabric of existing buildings which have not been assigned separate component lives, the repair is treated as a revenue item whether or not major repair Social Housing Grant (SHG) is payable for such items. Where applicable, the related SHG receivable is also treated as a revenue item.

Any replacement, renewal or repair to the fabric of an existing building that enhances the net income generated from the property or replaces components assigned a useful life and separately depreciated, is capitalised.

Housing properties which are depreciated over a period in excess of 50 years are subject to impairment reviews annually. If housing properties have suffered any impairment, the fall in value is recognised after taking account of any related grant.

ii) Other fixed assets

Other fixed assets are stated at cost less depreciation, which is provided to write off the cost less the estimated residual value of other fixed assets over their estimated useful economic lives as follows:

Motor vehicles	: over 4 years
Office equipment, fixtures and fittings	: over 4 years
Computer equipment	: over 4 years
Leasehold improvements	: up to the break clause in the lease

c) Social Housing Grant ("SHG")

Where developments have been financed wholly or partly by SHG, the cost of these developments has been reduced by the amount of grant received. The excess of grants over expenditure is held as grants in advance until the expenditure is incurred. When grants are received in arrears the cost of the capital expenditure is reduced by the accrued grant receivable. If housing properties are disposed of, SHG is repayable to the Homes and Communities Agency or held as a creditor in the recycled capital grant funds under most circumstances.

d) Charitable and other grants

Where capital developments have been financed by grants from local authorities and other agencies, the cost of these developments has been reduced by the amount of the grant received. Where specific charitable grants have been raised to finance capital projects and major repairs for which the related cost is treated as expense, the related income is also allowed for in the income and expenditure account.

e) Incoming resources

Income is generally recognised on a receivable basis and is reported gross of related expenditure where the amount is reasonably certain and where there is adequate certainty of receipt. Incoming resources also include income from fundraising activities, units managed on behalf of other Associations and other services provided.

Income is recognised as follows:

Rental income is recognised on the basis of the amounts receivable for the year. Rental income received in advance is disclosed within creditors in the balance sheet.

Income from services is recognised on the basis of the value of goods or services supplied during the period.

ST MUNGO COMMUNITY HOUSING ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS (Continued) for the year ended 31 March 2014

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

e) Incoming resources (Continued)

Fees and revenue grants receivable from Local Authorities, the Homes and Communities Agency, other Government departments and charitable bodies are recognised once the Association is entitled to such income and in the period in which services have been provided.

Donations and income from fundraising activities are recognised when the Association has entitlement to these and there is certainty over receipt. Donations, gifts, legacies, which do not relate to specific charitable activities, are categorised as voluntary income.

Supporting People contract income and income from charges for support services are recognised when receivable and included in turnover. Charges for support services, if the services are provided within the tenancy agreement, are shown as 'Charges for support services'. If support is provided under a contract separate from the tenancy agreement the related income is shown under 'Supporting People'.

f) Resources expended

Expenditure is recognised when it is incurred and is reported gross of related income in the following cases:

- Charitable expenditure comprises direct expenditure including direct staff costs attributable to its activities. General Management finance and administration costs are apportioned on the basis of the salary cost of relevant activities.

- Cost of generating funds comprises the costs associated with attracting voluntary income

- Governance costs comprise those incurred as a result of statutory requirements.

g) Fund accounting

- General reserves are available for use at the discretion of the Trustees/ Board and management in furtherance of the general objectives of the Association

- Designated reserves are funds that have been set aside at the discretion of the management for specific purposes

- Restricted funds are funds subject to specific restrictions imposed by donors or by the purpose of the appeal.

h) Capitalisation of interest

Interest on the mortgage loan financing a development was capitalised up to the date of practical completion of the scheme under old Housing Association grant (HAG) rules. No interest was capitalised in the year.

i) Capitalisation of directly attributable costs

Salary and other costs directly attributable to development projects are apportioned on the basis of works costs.

j) Pension costs

The Association participates in the Social Housing Pension Scheme (SHPS). SHPS is a multi-employer defined benefit scheme. The scheme is funded and is contracted out of the state scheme. Payments are made to a fund operated by independent trustees. The contributions are determined by a formal valuation of the scheme by a professionally qualified actuary using the "projected unit credit" method.

ST MUNGO COMMUNITY HOUSING ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS (Continued) for the year ended 31 March 2014

j) **Pension costs** (Continued)

Due to the nature of the scheme, the income and expenditure account charge for the period under Financial Reporting Standard 17 'Retirement Benefits' (FRS 17) represents the employer contributions payable.

The Association also operates a group personal pension scheme with Friends Provident. Contributions made into each account are used to buy units in one or more of Friends Provident Investment Funds. Final retirement benefit will be based on the final value of all the units held by each account.

k) **Lease obligations**

Finance leases are recorded in the balance sheet as assets and as an obligation to pay future rentals. The finance charges are allocated on a straight line basis over the term of the lease. Rentals paid under operating leases are charged to the Income and Expenditure Account on the accruals basis.

l) **Taxation**

The Association is a registered charity and is therefore exempt from taxation of income and gains falling within Section 505 Taxes Act 1998 or Section 256 Taxation of Chargeable Gains Act 1992 to the extent these are charitably applied. No tax charge has arisen in the year. This was also the case when the charity was exempt from registration.

m) **Investments**

Investments are stated at cost less any provision for impairment.

ST MUNGO COMMUNITY HOUSING ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS (Continued)
for the year ended 31 March 2014

2. TURNOVER, OPERATING COSTS AND OPERATING SURPLUS

	2014			2013		
	Turnover £000	Operating costs £000	Operating surplus/ (deficit) £000	Turnover £000	Operating costs £000	Operating surplus/ (deficit) £000
Social housing lettings (note 3)	23,229	18,775	4,454	21,240	17,512	3,728
Other social housing activities	<u>16,950</u>	<u>18,672</u>	<u>(1,722)</u>	<u>16,539</u>	<u>17,640</u>	<u>(1,101)</u>
- Supporting People	40,179	37,447	2,732	37,779	35,152	2,627
Non-social housing activities						
Criminal Justice Group	1,014	1,101	(87)	775	953	(178)
Support Services	5,523	8,043	(2,520)	3,552	5,971	(2,419)
Skills and Employment	257	1,518	(1,261)	373	1,711	(1,338)
Fundraising (note 28)	6,565	3,209	3,356	5,630	2,615	3,015
Development	-	212	(212)	-	150	(150)
Central Services	101	1,602	(1,501)	98	1,275	(1,177)
Other	<u>13,460</u>	<u>39</u>	<u>(39)</u>	<u>650</u>	<u>37</u>	<u>613</u>
		15,724	(2,264)	11,078	12,712	(1,634)
Operating surplus	53,639	53,171	468	48,857	47,864	993
Investment income	193	-	193	263	-	263
Interest payable	-	4	(4)	-	5	(5)
Net incoming resources	<u>53,832</u>	<u>53,175</u>	<u>657</u>	<u>49,120</u>	<u>47,869</u>	<u>1,251</u>

ST MUNGO COMMUNITY HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
for the year ended 31 March 2014

3. INCOME AND EXPENDITURE FROM LETTINGS

	Supported Housing and Housing for older people				
	Residential Care Homes	Supported Housing SP Block Gross £000	Supported Housing SP Block Subsidy £000	Short Stay Housing £000	Total 2014
	£000				£000
Income from social housing lettings					
Rents receivable including service charges	<u>1,427</u>	<u>15,743</u>	<u>173</u>	<u>236</u>	<u>17,579</u>
Net rents receivable	<u>1,427</u>	<u>15,743</u>	<u>173</u>	<u>236</u>	<u>16,643</u>
Other revenue grants from local authorities and other agencies	951	1,761	185	1,266	4,357
Other	5	1,480	2	-	1,487
Total income from social housing lettings	<u>2,383</u>	<u>18,984</u>	<u>360</u>	<u>1,502</u>	<u>23,229</u>
Expenditure on social housing lettings					
Management	1,798	4,394	216	891	7,299
Services	538	5,550	42	299	6,429
Routine maintenance	16	593	3	17	629
Planned maintenance	20	268	4	14	306
Major repairs expenditure	-	114	-	298	412
Rent losses from bad debts	23	659	2	34	718
Property lease charges	-	480	54	353	887
Management agency fees	12	1,418	-	-	1,430
Impairment of housing properties	-	-	-	-	-
Write off of component replacements/demolitions	-	83	-	-	83
Depreciation of housing properties	2	89	2	-	93
Other costs	25	403	1	60	489
Total expenditure on social housing lettings	<u>2,434</u>	<u>14,051</u>	<u>324</u>	<u>1,966</u>	<u>18,775</u>
Operating (deficit)/surplus on letting activities	<u>(51)</u>	<u>4,933</u>	<u>36</u>	<u>(464)</u>	<u>4,454</u>
Rent losses from voids	124	1,386	7	13	1,530
					<u>1,370</u>

ST MUNGO COMMUNITY HOUSING ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS (Continued)
for the year ended 31 March 2014

4. DIRECTORS' EMOLUMENTS AND EXPENSES

None of the Board Members received any emoluments in the year (2013: nil).

For the purpose of this note, the directors are defined as the Chief Executive, the Board Members and other members of the senior management team reporting directly to the Chief Executive. The Chief Executive left the Association in April 2014. Additional contractual payments of £157,538 are included in the aggregate amounts below.

	2014	2013
	£000	£000
Aggregate emoluments payable to the directors (including pension contributions and benefits in kind)	636	450
	<u> </u>	<u> </u>

Emoluments paid to or receivable by the highest paid director (excluding pension contributions) were as follows:

Salary (including termination payments in accordance with contractual agreement of £157,538)	274	107
	<u> </u>	<u> </u>

The Chief Executive is an ordinary member of the Association's pension scheme, the employer's contributions amounted to £16,342 (2013: £12,259).

	£000	£000
Total expenses reimbursed to the directors not chargeable to United Kingdom income tax	6	5
	<u> </u>	<u> </u>

Expenses reimbursed to Board Members were £nil in 2014 (2013: £nil).

The number of staff whose remuneration exceeded £60,000 is as follows:

	2014	2013
	Number	Number
£60,001 - £70,000	4	4
£70,001 - £80,000	1	-
£80,001 - £90,000	1	1
£90,001 - £100,000	1	1
£100,001 - £110,000	-	1
£270,000 - £280,000	1	-

During the year, pension contributions on behalf of these staff amounted to approximately £82,950 (2013: £61,229).

ST MUNGO COMMUNITY HOUSING ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS (Continued) for the year ended 31 March 2014

5. EMPLOYEE INFORMATION

The average monthly number of persons (including the Chief Executive) employed during the year was:

	2014	2013
	No.	No.
Full Time	766	721
Part Time [Full time equivalent 171 (2013 - 89)]	187	146
Locums [Full time equivalent 194 (2013- 174)]	266	245
	<u>1,219</u>	<u>1,112</u>

Staff Costs (for the above persons)

	2014	2013
	£000	£000
Wages and Salaries	30,866	28,372
Social Security Costs	2,615	2,400
Pension Costs (see Note 26)	1,626	1,255
	<u>35,107</u>	<u>32,027</u>

6. INVESTMENT INCOME

	2014	2013
	£000	£000
Interest receivable from deposits	<u>193</u>	<u>263</u>

7. INTEREST PAYABLE

	2014	2013
	£000	£000
Interest payable on housing loans	<u>4</u>	<u>5</u>

ST MUNGO COMMUNITY HOUSING ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS (Continued)
for the year ended 31 March 2014

8. SURPLUS FOR THE YEAR

	2014 £000	2013 £000
Is stated after charging/(crediting):		
Depreciation:		
- Tangible owned fixed assets	48	86
- Amortisation of leasehold assets	6	7
- Housing properties	93	87
- Impairment of housing properties	-	443
Auditors remuneration (excluding VAT):		
- in their capacity as auditors	23	22
- other services	-	4
Operating lease payments (land and buildings)	<u>1,981</u>	<u>1,774</u>

9. TANGIBLE FIXED ASSETS - HOUSING PROPERTIES

	Completed Schemes £000	Under Construction £000	Total £000
Cost			
As at 1 April 2013	93,092	2,208	95,300
Additions	3,780	2,949	6,729
Disposals	(621)	(81)	(702)
Transfers	<u>1,202</u>	<u>(1,202)</u>	<u>-</u>
As at 31 March 2014	97,453	3,874	101,327
Social housing grants			
As at 1 April 2013	75,483	928	76,411
Receivable for year	70	1,572	1,642
Disposals	<u>(564)</u>	<u>-</u>	<u>(564)</u>
As at 31 March 2014	74,989	2,500	77,489
Charitable & other grants			
As at 1 April 2013	8,411	-	8,411
Receivable for the year	<u>2,220</u>	<u>72</u>	<u>2,292</u>
As at 31 March 2014	10,631	72	10,703
Depreciation			
As at 1 April 2013	1,653	443	2,096
Charge for year	93	-	93
Transfers	53	(53)	-
Disposals	<u>(55)</u>	<u>-</u>	<u>(55)</u>
As at 31 March 2014	1,744	390	2,134
Net Book Value			
At beginning of year	7,545	837	8,382
At end of year	<u>10,089</u>	<u>912</u>	<u>11,001</u>

All properties are owned freehold.

ST MUNGO COMMUNITY HOUSING ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS (Continued)
for the year ended 31 March 2014

9. TANGIBLE FIXED ASSETS - HOUSING PROPERTIES (continued)

In addition to the Social Housing and Other Grants of £88,192,000 shown above a further £9,703,000 has been received in grants to date and has been treated as income.

Expenditure on completed schemes comprised the following:

	2014	2013
	£000	£000
Total capitalised costs in respect of existing properties and replacement of components	6,729	2,428
Costs charged to the income and expenditure account	<u>412</u>	<u>141</u>
Total costs in the year incurred on existing properties	<u>7,141</u>	<u>2,569</u>

ST MUNGO COMMUNITY HOUSING ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS (Continued)
for the year ended 31 March 2014

10. TANGIBLE FIXED ASSETS - OTHER

	Motor Vehicles £000	Office and Computer Equipment £000	Leasehold Improvements £000	Total £000
Cost				
As at 1 April 2013	59	691	323	1,073
Additions	-	3	-	3
As at 31 March 2014	<u>59</u>	<u>694</u>	<u>323</u>	<u>1,076</u>
Government and charitable grants				
As at 1 April 2013	32	-	-	32
Addition	2	-	-	2
As at 31 March 2014	<u>34</u>	<u>-</u>	<u>-</u>	<u>34</u>
Depreciation				
As at 1 April 2013	9	642	317	968
Charge for year	5	43	6	54
As at 31 March 2014	<u>14</u>	<u>685</u>	<u>323</u>	<u>1,022</u>
Net Book Value				
At beginning of year	<u>18</u>	<u>49</u>	<u>6</u>	<u>73</u>
At end of year	<u>11</u>	<u>9</u>	<u>-</u>	<u>20</u>

11. DEBTORS

	2014 £000	2013 £000
Rent arrears	3,018	2,576
<u>Less: Bad debt provision</u>	<u>(1,086)</u>	<u>(732)</u>
	1,932	1,844
Capital grants receivable	625	-
Trade debtors	3,583	1,946
Amounts due from subsidiary undertakings	323	285
Amounts due from related undertakings	-	38
Other debtors	495	354
Prepayments and accrued income	<u>824</u>	<u>343</u>
	<u>7,782</u>	<u>4,810</u>

ST MUNGO COMMUNITY HOUSING ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS (Continued)
for the year ended 31 March 2014

12. INVESTMENTS

	2014	2013
	£000	£000
Investments in subsidiary undertakings		
Cost		
As at 1 April 2013	237	237
Additions	—	—
As at 31 March 2014	<u>237</u>	<u>237</u>
Impairment		
As at 1 April 2013	237	—
Charge for the year	—	237
As at 31 March 2014	<u>237</u>	<u>237</u>
Net book value		
At beginning of year	—	—
At end of year	<u>—</u>	<u>—</u>

The following are the subsidiary undertakings at the end of the year:

Name	Country of incorporation	Proportion of voting rights and ordinary share capital held	Nature of business
The Arches Charity Trading Company Limited	England	100%	Trading arm of parent
Homeless Healthcare CIC	England	100%	Provision of primary health-care for homeless people
Street Impact Limited	England	100%	Housing and supporting rough sleepers

Consolidated financial statements have not been prepared on the grounds that the financial statements of the subsidiaries are not material.

	Net Assets/ (Net Liabilities)	Profit/(loss) for the period ended 31 March 2014
	£	£
The Arches Charity Trading Company Limited	(3,139)	(1,369)
Homeless Healthcare	7	—
Street Impact Limited	112,560	(124,440)

ST MUNGO COMMUNITY HOUSING ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS (Continued)
for the year ended 31 March 2014

12. INVESTMENTS (Continued)

Related Party Transactions with Subsidiary Undertakings

The Association maintains a current account with the subsidiaries. During the year no recharges were made to Street Impact Limited or The Arches Charity Trading Company Limited from the services provided by the Association. During the year Homeless Healthcare received a grant of £81,734 from the Association for Street Med Services.

13. CREDITORS: Amounts falling due within one year

	2014	2013
	£000	£000
Housing loans	7	7
Trade creditors	1,294	924
Rents in advance	1,733	1,389
Capital grants	1,598	2,130
Other taxes and social security costs	1,866	803
Other creditors	523	306
Accruals and deferred income	<u>6,239</u>	<u>3,787</u>
	<u>13,260</u>	<u>9,346</u>

14. CREDITORS: Amounts falling due after more than one year

	2014	2013
	£000	£000
Housing loans:		
Between one and two years	7	7
Between two and five years	22	22
In five or more years	7	14
	<u>36</u>	<u>43</u>
Due after more than one year	36	43
Due within one year	7	7
	<u>43</u>	<u>50</u>

Housing loans are secured by specific charges on the Association's housing properties and are repayable at rates of interest of 8.25% to 10.375% in instalments due as shown above.

ST MUNGO COMMUNITY HOUSING ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS (Continued)
for the year ended 31 March 2014

15. NOTES TO THE CASH FLOW STATEMENT

a)	Reconciliation of net incoming resources to net cash inflow from operating activities	2014 £000	2013 £000
	Net incoming resources	657	1,251
	Depreciation and impairment charges	147	623
	Write off of component replacement/demolitions	83	106
	Investment income	(193)	(263)
	Interest payable	4	5
	Impairment of investment	-	237
	(Increase) in debtors	(2,347)	(1,010)
	Increase in creditors	4,446	1,545
	Net inflow from operating activities	2,797	2,494
		2,797	2,494
b)	Reconciliation of net cash inflow to movement in net funds	2014 £000	2013 £000
	Increase/(decrease) in cash in the year	868	(4)
	Cash (outflow)/inflow from (increase)/decrease in liquid resources	(1,842)	1,933
	Cash outflow from decrease in debt and lease financing	7	9
	Change in net funds resulting from cash flows	(967)	1,938
	Opening net funds	16,552	14,614
	Closing net funds	15,585	16,552

ST MUNGO COMMUNITY HOUSING ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS (Continued)
for the year ended 31 March 2014

16. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	2014	2013
	£000	£000
a) Returns on investment and servicing of finance		
Interest received	193	263
Interest paid	(4)	(5)
Net cash inflow for returns on investment and servicing of finance	189	258
b) Capital expenditure and financial investment		
Purchase of tangible fixed assets	(6,732)	(2,453)
Grants received	2,779	1,876
Investment in subsidiary	-	(237)
Net cash outflow for capital expenditure and financial investment	3,953	(814)
c) Management of liquid resources		
Cash transferred from deposits	(1,842)	1,933
Net cash (outflow)/inflow from management of liquid resources	(1,842)	1,933
d) Financing		
Debt due within one year - repayment of loans	(7)	(9)
Net cash outflow from financing	(7)	(9)

17. ANALYSIS OF CHANGES IN NET FUNDS

	Opening balance	Cashflow	Other non-cash changes	Closing balance
	£000	£000	£000	£000
Cash at bank and in hand	854	868	-	1,722
Debt due after one year	(43)	-	7	(36)
Debt due within one year	(7)	7	(7)	(7)
Cash at bank and in deposits	15,748	(1,842)	-	13,906
Total	16,552	(967)	-	15,585

ST MUNGO COMMUNITY HOUSING ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS (Continued)
for the year ended 31 March 2014

18. ANALYSIS OF THE BALANCE OF CASH AS SHOWN ON THE BALANCE SHEET

	2014	2013
	£000	£000
Money Market deposits	13,906	15,748
Overnight deposits	1,112	406
Cash at bank	539	380
Petty cash	71	68
	<u>15,628</u>	<u>16,602</u>

19. GENERAL RESERVES

	2014
	£000
Balance at 1 April 2013	16,075
Surplus for the year	275
Transfer to restricted reserves	<u>(60)</u>
Balance at 31 March 2014	<u>16,290</u>

ST MUNGO COMMUNITY HOUSING ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS (Continued)
for the year ended 31 March 2014

20. DESIGNATED RESERVES

	Furniture Reserve £000	Maintenance Reserve £000	Development Reserve £000	Non-recurring Costs Reserve £000	Total 2014 £000
As at 1 April 2013	1,605	1,517	200	224	3,546
Incoming resources	475	367	-	79	921
Resources expended	(351)	(267)	(131)	(134)	(883)
As at 31 March 2014	<u>1,729</u>	<u>1,617</u>	<u>69</u>	<u>169</u>	<u>3,584</u>

21. RESTRICTED RESERVES

	Total 2014 £000	Total 2013 £000
As at 1 April 2013	857	1,036
Incoming resources	1,088	1,389
Resources expended	(744)	(1,572)
Transfer from general reserve	60	4
As at 31 March 2014	<u>1,261</u>	<u>857</u>

Restricted reserves are specific donations and grants which are expendable in furtherance of the objects of the Association, however the relevant donors have imposed conditions which restrict the use to which the reserves can be applied. At the balance sheet date the reserves represent the value of such donations for which the conditions restricting use have not been met.

ST MUNGO COMMUNITY HOUSING ASSOCIATION

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
for the year ended 31 March 2014**

22. CAPITAL COMMITMENTS

	Properties	
	2014	2013
	£000	£000
Capital expenditure that has been contracted for but has not been provided for in financial statements	1,150	3,623
Capital expenditure that has been authorised by the Board but has not yet been contracted for	2,855	1,380
	<u>4,005</u>	<u>5,003</u>

The above commitment will be funded through grant funding and internal cash resources.

23. FINANCIAL COMMITMENTS

At 31 March 2014 the Association had the following commitments:

Non-cancellable operating leases:	Land and Buildings	
	2014	2013
	£000	£000
Expenditure for the year	1,981	1,774
Obligations due under the leases are payable as follows:		
In one year or less	130	249
Between one and two years	1,781	1,276
	<u>1,911</u>	<u>1,525</u>

24. CONTINGENT LIABILITIES

There were no contingent liabilities at the year end (2013: nil).

25. LOCAL GOVERNMENT & HOUSING ACT 1989

The total grant receivable from the Association of London Government and London Councils for the year ended 31 March 2014 for the Assertive Offender Resettlement Project was £391,387. The amount received from London Councils for the Skills and Employment Project was £87,606. The analysis below summarises what the grants were awarded for and how they have been used:

ST MUNGO COMMUNITY HOUSING ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS (Continued) for the year ended 31 March 2014

25. LOCAL GOVERNMENT & HOUSING ACT 1989 (Continued)

a) London Councils – Assertive Offender Resettlement

	2013/2014	
	Grant (£000s)	Spent (£000s)
Salaries	225	193
Recruitment and training	3	3
Running costs	63	57
St Giles	100	90
	<u>391</u>	<u>343</u>

As at 31 March 2014 the amount of grant unspent was £48,434.

b) London Councils – Skills & Employment

	2013/2014	
	Grant (£000s)	Spent (£000s)
Salaries	72	64
Recruitment and training	-	-
Running costs	16	14
	<u>88</u>	<u>78</u>

The Contract is one in which the grants are payable on results. During 2013/14 £87,606 was received of which £56,406 was received in advance. The total amount spent for this activity during the period was £77,822.

26. PENSION OBLIGATIONS

The Association operates five different pension schemes. It pays into three schemes managed by the Pensions Trust, one managed by Friends Life and one managed by Scottish Equitable.

Social Housing Pension Scheme

The Association participates in the Social Housing Pension Scheme (SHPS). SHPS is a multi-employer defined benefit scheme. The Scheme is funded and is contracted out of the state scheme.

The Board decided to close the present scheme to new and existing employees who were not members at 31 March 2007. From this date employees have been offered the opportunity to join the CARE scheme based on average career earnings.

With effect from 1 April 2010 the employer and employee contribution rates for the Association's existing employees were 8.3% and 7.9% to 9.9% of pensionable salaries respectively. For new applicants these rates were 6% and 7.3% to 9.3%. As at the balance sheet date there were 218 active members (2013: 200) of the scheme employed by the Association.

It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to individual participating employers. Accordingly, due to the nature of the Scheme, the accounting charge for the year under Financial Reporting Standard 17, Retirement Benefits, (FRS17) represents the employer contribution payable. The total charge to the Association for the year was £1,508,000 (2013: £1,123,000).

ST MUNGO COMMUNITY HOUSING ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS (Continued)
for the year ended 31 March 2014

26. PENSION OBLIGATIONS (Continued)

The last formal valuation of the Scheme was performed as at 30 September 2011 by a professionally qualified Actuary using the Projected Unit Method. The market value of the Scheme's assets at the valuation date was £2,062 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £1,035 million, equivalent to a past service funding level of 67.0%.

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2013. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The market value of the Scheme's assets at the date of the Actuarial Report was £2,718 million. The Actuarial Report revealed a shortfall of assets compared with the value of liabilities of £1,151 million, equivalent to a past service funding level of 70%.

The financial assumptions underlying the valuation as at 30 September 2011 were as follows:

	%
	per annum
Valuation Discount Rates	
Pre retirement	7.0
Non Pensioner Post retirement	4.2
Pensioner Post retirement	4.2
Pensionable earnings growth	2.5 for 3 years then 4.4
Price inflation	2.9
Pension Increases	
Pre 88 GMP	0.0
Post 88 GMP	2.0
Excess over GMP	2.4

Expenses for death in service insurance, administration and PPF levy are included in the contribution rate.

The valuation was carried out using the following demographic assumptions:

Mortality pre-retirement – 41% SAPS S1 Male / Female All Pensioners (amounts), Year of Birth, CMI_2009 projections with long term improvement rates of 1.5% p.a. for Males and 1.25% p.a. for Females.

Mortality post retirement – 97% SAPS S1 Male / Female All Pensioners (amounts), Year of Birth, CMI_2009 projections with long term improvement rates of 1.5% p.a. for Males and 1.25% p.a. for Females.

The long-term joint contribution rates that will apply from April 2013 required from employers and members to meet the cost of future benefit accrual were assessed at:

Benefit structure	Long-term joint contribution rate (% of pensionable salaries)
Final salary with a 1/60 th accrual rate	19.4
Career average revalued earnings with a 1/60 th accrual rate	18.1

If an actuarial valuation reveals a shortfall of assets compared to liabilities the Trustee must prepare a recovery plan setting out the steps to be taken to make up the shortfall.

Following consideration of the results of the actuarial valuation it was agreed that the shortfall of £1,035 million would be dealt with by the payment of deficit contributions as shown in the table below:

ST MUNGO COMMUNITY HOUSING ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS (Continued) for the year ended 31 March 2014

26. PENSION OBLIGATIONS (Continued)

From 1 April 2013 to 30 September 2020	A cash amount(*) equivalent to 7.5% of Members' Earnings per annum (payable monthly and increasing by 4.7% per annum each 1 April)
From 1 October 2020 to 30 September 2023	A cash amount(*) equivalent to 3.1% of Members' Earnings per annum (payable monthly and increasing by 4.7% per annum each 1 April)
From 1 April 2013 to 30 September 2026	£30,640,000 per annum (payable monthly and increasing by 3% per annum each 1 April; first increase on 1 April 2014)

(*) The contributions of 7.5% will be expressed in nominal pound terms (for each Employer), increasing each year in line with the Earnings growth assumption used in the 30 September 2008 valuation (i.e. 4.7% per annum). The contributions of 3.1% will be calculated by proportioning the nominal pound payment at the time of the change. Earnings at 30 September 2008 (for each Employer) will be used as the reference point for calculating these contributions.

These deficit contributions are in addition to the long-term joint contribution rates as set out above.

The next formal valuation of the Scheme will begin later this year and will give an update on the financial position as at 30 September 2014. The result of the valuation will be available in Spring 2016.

Employers that participate in the Scheme on a non-contributory basis pay a joint contribution rate (i.e. a combined employer and employee rate).

Employers that have closed the defined benefit section of the Scheme to new entrants are required to pay an additional employer contribution loading of 2.5% to reflect the higher costs of a closed arrangement.

A small number of employers are required to contribute at a different rate to reflect the amortisation of a surplus or deficit on the transfer of assets and past service liabilities from another pension scheme into the SHPS Scheme.

New employers that do not transfer any past service liabilities to the Scheme pay contributions at the ongoing future service contribution rate. This rate is reviewed at each valuation and new employers joining the Scheme between valuations up until 1 April 2010 do not contribute towards the deficit until two valuations have been completed after their date of joining. New employers joining the Scheme after 1 April 2010 will be liable for past service deficit contributions from the valuation following joining. Contribution rates are changed on the 1 April that falls 18 months after the valuation date.

As a result of pension scheme legislation there is a potential debt on the employer that could be levied by the Trustee of the Scheme. The debt is due in the event of the employer ceasing to participate in the Scheme or the Scheme winding up. The Association has no plans to leave any of the SHPS schemes.

The debt for the Scheme as a whole is calculated by comparing the liabilities for the Scheme (calculated on a buyout basis i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Scheme. If the liabilities exceed assets there is a buy-out debt.

ST MUNGO COMMUNITY HOUSING ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS (Continued) for the year ended 31 March 2014

26. PENSION OBLIGATIONS (Continued)

The leaving employer's share of the buy-out debt is the proportion of the Scheme's liability attributable to employment with the leaving employer compared to the total amount of the Scheme's liabilities (relating to employment with all the currently participating employers). The leaving employer's debt therefore includes a share of any 'orphan' liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total Scheme liabilities, Scheme investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.

The cost to the Association of withdrawal from SHPS DC was estimated at £34.3m in September 2013. In order to reduce this figure, the Association is required to pay a total of £9.1m to SHPS over the next thirteen years.

Growth Plan

The Association participates in the Pensions Trust's Growth Plan (the Plan). The Plan is funded and is not contracted out of the state scheme. The Growth Plan is a multi-employer pension plan.

Contributions paid into the Growth Plan up to and including September 2001 were converted to defined amounts of pension payable from Normal Retirement Date. From October 2001 contributions were invested in personal funds which have a capital guarantee and which are converted to pension on retirement, either within the Growth Plan or by the purchase of an annuity.

The rules of the Growth Plan allow for the declaration of bonuses and / or investment credits if this is within the financial capacity of the Plan assessed on a prudent basis. Bonuses / investment credits are not guaranteed and are declared at the discretion of the Plan's Trustee.

The Trustee commissions an actuarial valuation of the Growth Plan every 3 years. The purpose of the actuarial valuation is to determine the funding position of the Plan by comparing the assets with the past service liabilities as at the valuation date. Asset values are calculated by reference to market levels. Accrued past service liabilities are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

The rules of the Growth Plan give the Trustee the power to require employers to pay additional contributions in order to ensure that the statutory funding objective under the Pensions Act 2004 is met. The statutory funding objective is that a pension scheme should have sufficient assets to meet its past service liabilities, known as Technical Provisions.

If the actuarial valuation reveals a deficit, the Trustee will agree a recovery plan to eliminate the deficit over a specified period of time either by way of additional contributions from employers, investment returns or a combination of these.

The rules of the Growth Plan state that the proportion of obligatory contributions to be borne by the Member and the Member's Employer shall be determined by agreement between them. Such agreement shall require the Employer to pay part of such contributions and may provide that the Employer shall pay the whole of them.

The Association did not pay any contributions into the Plan. Members paid contributions ranging from 1.7% to 20% during the accounting period.

As at the balance sheet date there were three active members of the Plan employed by the Association. The Association continues to offer membership of the Plan to its employees.

It is not possible in the normal course of events to identify on a reasonable and consistent basis the share of underlying assets and liabilities belonging to individual participating employers. Growth Plan is a multi-employer scheme where the scheme assets are co-mingled for investment purposes, and benefits are paid from the total scheme assets. Accordingly, due to the nature of the Plan, the accounting charge for the period under FRS17 represents the employer contribution payable.

ST MUNGO COMMUNITY HOUSING ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS (Continued)
for the year ended 31 March 2014

26. PENSION OBLIGATIONS (Continued)

The valuation results at 30 September 2011 were completed in 2012 and have been formalised. The valuation of the Plan was performed by a professionally qualified Actuary using the Projected Unit Method. The market value of the Plan's assets at the valuation date was £780 million and the Plan's Technical Provisions (i.e. past service liabilities) were £928 million. The valuation therefore revealed a shortfall of assets compared with the value of liabilities of £148 million, equivalent to a funding level of 84%.

The financial assumptions underlying the valuation as at 30 September 2011 were as follows:

	% per annum
- Investment return pre retirement	4.9
- Investment return post retirement	
Actives/Deferreds	4.2
Pensioners	4.2
- Bonuses on accrued benefits	0.0
- Inflation: Retail Price Index	2.9
- Inflation: Consumer Price Index	2.4

The Scheme Actuary has prepared a funding position update as at 30 September 2013. The market value of the Plan's assets at that date was £772 million and the Plan's Technical Provisions (i.e. past service liabilities) was £927 million. The update, therefore, revealed a shortfall of assets compared with the value of liabilities of £155 million, equivalent to a funding level of 83%.

The cost to the Association of withdrawal from the Growth Plan is currently estimated at £69,738. In order to reduce this figure, the Association is required to pay a total of £31,303 to the Pensions Trust over the next nine years.

Friends Provident Pension Plan

As an alternative to the schemes with Pensions Trust, the Association also operates a pension plan with Friends Provident. The pension cost for this scheme was £115,000 (2013: £124,000) covering 37 (2013: 37) employees. St Mungo's has closed this scheme to new entrants.

Due to the TUPE transfer of staff, the Association participated in the following pension scheme:

Scottish Equitable Pensions – there was one staff member participating in this scheme at the year end and the cost was £3,310 (2013: £3,310).

27. SUPPORTED HOUSING BEDSPACES

The number of hostel bedspaces under development and in management at 31 March 2013 were:

	Bedspaces under development		Bedspaces in management	
	2014	2013	2014	2013
Properties owned by the Association	51	57	1,055	1,055
Properties owned by other Associations	-	-	832	915
Total	<u>51</u>	<u>57</u>	<u>1,887</u>	<u>1,970</u>

ST MUNGO COMMUNITY HOUSING ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS (Continued)
for the year ended 31 March 2014

28. FUNDRAISING

	2014	2013
	£000	£000
Funds allocated to projects	2,827	3,333
Other fundraising income	<u>3,738</u>	<u>2,297</u>
Total Fundraising Income	<u>6,565</u>	<u>5,630</u>

£2,827,000 (2013: £3,333,000) of the fundraising income received has been allocated directly to charitable activities in the incoming resources section of the Statement of Financial Activities. The cost of generating voluntary income, which includes investment for future fundraising, was £3,209,000 (2013: £2,615,000).

29. LEGISLATIVE PROVISIONS

The Association is incorporated under the Companies Act 2006 and is registered with the Homes and Communities Agency and the Charity Commission.

30. RELATED PARTY TRANSACTIONS

Edwin Hilliard, an ex-tenant Board member, remains on the Board. Leroy Murdoch, a tenant Board member, resigned on 24 September 2013. Neither of these individuals have received anything that was different from that of other residents.

The Association spent £119,000 on setting up a Social Inclusion Enterprise to improve communication systems available for homeless people. This expenditure has been charged to the Statement of Financial Activities as the project was unsuccessful in getting revenue funding. St Mungo's has two directors on the Social Inclusion Enterprise Board.

31. ECOMINDS GRANT

During the year £26,581 was received from the Big Lottery- Ecominds supporting Impact Fund. This was restricted to the expenditure for the PDR project. The grant helped to fund a gardener trainer (Mental Health Specialist) and associated costs. The total expenditure for the trainer, and associated costs, was £47,767.

32. ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Restricted	Designated	General	Total
	£000	£000	£000	£000
Tangible fixed assets	-	-	11,021	11,021
Debtors	-	-	7,782	7,782
Cash deposits	1,261	3,584	9,061	13,906
Cash at bank	-	-	1,722	1,722
Current liabilities	-	-	(13,260)	(13,260)
Long term liabilities	-	-	<u>(36)</u>	<u>(36)</u>
	<u>1,261</u>	<u>3,584</u>	<u>16,290</u>	<u>21,135</u>

33. COMPANY LIMITED BY GUARANTEE

St Mungo's is a company limited by guarantee. If, upon the winding up or dissolution of the company there remains, after the satisfaction of all its debts and liabilities any property whatsoever the same shall not be paid to or distributed among the members of the company but shall be given or transferred to some other charitable institution or institutions having objectives similar to the objects of the company. Every member of the company undertakes to contribute to the assets of the company in the event of the same being wound up, such amount as may be required not exceeding the sum of £1. There are currently 21 members.

ST MUNGO COMMUNITY HOUSING ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS (Continued)
for the year ended 31 March 2014

34. POST BALANCE SHEET EVENTS

St Mungo's merged with Broadway Homelessness and Support on 1st April 2014. No consideration was paid to either party. The merger creates an organisation which is trading as St Mungo's Broadway and is expected to have income of around £70m in 2014/15.