

Society of St James

Report and Financial Statements

Year Ended

31 March 2016

Company Number: 03009700

Charity Number: 1043664

Society of St James

Annual report and financial statements for the year ended 31 March 2016

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Society of St James

Reference and administrative information for the year ended 31 March 2016

Trustees and Directors:	N Cato	(Chair)
	T Rogerson	(Treasurer)
	D Blake	(resigned 15 October 2015)
	G Barwick	
	J Lovelock	
	G Ward	
	M Day	(resigned 23 June 2015)
	J Diaper	
	J Dawes	
	D Scott	
	S Butterfill	(appointed 15 October 2015)
	D Craggs	(appointed 15 October 2015)
	P Hilary	(co-opted 15 December 2015)
Company Secretary:	T Pickup	
Senior Staff	T Pickup	(Chief Executive)
	A Powell	(Director of Finance and Central Services)
	J Smith	(Operations Director)
	M Taylor	(Operations Director)
	T Keall	(Operations Director)
Registered Office:	125 Albert Road South Southampton SO14 3FR	
Registered Company Number:	03009700	
Homes and Communities Agency Registration Number:	LH4337	
Registered Charity Number:	1043664	
Auditors:	Nexia Smith & Williamson Imperial House 18-21 Kings Park Road Southampton SO15 2AT	
Solicitors:	Blake Morgan New Kings Court Tollgate Chandler's Ford Hampshire SO53 3LG	
Bankers:	NatWest 12 High Street Southampton SO14 2NX	

Society of St James

Report of the Board of Trustees incorporating a Strategic Report for the year ended 31 March 2016

Introduction

The Board of Trustees presents its report and financial statements for the year ended 31 March 2016, which should be read in conjunction with the information on page 1. All Trustees are directors of the Charitable Company for the purposes of company law.

Structure, Governance and Management

The Society of St James is a company limited by guarantee and is registered with the Homes and Community Agency (number LH4337). The liability of the members is limited to their guarantee. In the event of the Society being wound up during the period of the membership (or within the year following), members undertake to contribute such amounts as may be required, but not exceeding £10.

The Society is governed by the Board of Trustees, which meets every two months. The Board has created three Committees to take specific interest in the areas of Personnel, Audit and Finance, and Operations. These Committees meet regularly in the year. In line with good practice, the Society also convenes a Directors' Remuneration Committee each February to set the Senior Managers' salaries.

As a Registered Provider (Housing Association) the Society is required to meet the standards set by the Homes and Community Agency, as its key regulator. The Society is able to confirm as required that it is compliant with the Governance and Viability standard.

At its "away day" in December 2015, the Board reviewed its own performance and the performance of the sub committees of the Board. It also reviewed the Governance and Viability standard, and the systems of reporting, internal and external checks, risk management and governance to ensure compliance with the standard. The Board was satisfied that the current committee structure and systems in place provided effective governance arrangements for the Society.

The Society seeks to recruit one or two new Board members each year. The recruitment and induction process includes a tour around some of the Society's projects and an introduction to the Society's work. Potential new Board members also attend a Board Meeting as observers before they formally agree to join the Board. All Board members serve in a voluntary capacity; it is not the policy of the Society to remunerate Board members.

The senior staff report to the Board and the rest of the staff in turn report to the senior staff.

The Society has adopted the National Housing Federation Code of Governance and has recently reviewed its performance against the 2015 edition. The Society is compliant with the Code, with two exceptions. The first is that the Governing Documents need to be revised to enable the Board to vote for the removal of a Board Member whilst the second is that the current Chair has served on the Board for more than 9 years, but the Board has agreed that he should continue to serve until his period as Chair comes to an end.

The Trustees have given due consideration to Charity Commission guidance on public benefit when reviewing objects and activities.

Objectives and Activities

The Objectives of the Society are:

"The relief of poverty, sickness, hardship and distress in particular but not exclusively of persons who are homeless, unemployed or who have drug, alcohol or other substance addictions by the provision of housing, rehabilitation, care, support, education, training and employment opportunities: in order to improve the individuals' opportunities and quality of life and to contribute to the wider community".

Society of St James

Report of the Board of Trustees incorporating a Strategic Report (*continued*) for the year ended 31 March 2016

Objectives and Activities (*continued*)

The Society seeks to achieve this through a range of activities, which can be broken down between the following headings:

- Housing;
- Support;
- Care;
- Substance Misuse Services;
- Social Enterprise.

Housing

The Society provides a range of housing to homeless people in Southampton, Portsmouth and Hampshire, ranging from hostels, through shared housing to one-bedroom flats and a registered residential care home. The Society managed 331 units (bed spaces including the care home) on 31 March 2016 of which 121 were owned and 210 were either managed or leased.

For its owned property the Society fulfils a full range of property maintenance obligations, from day to day repairs to managing a long term repairs and maintenance programme. As a Registered Provider the Society offers tenancy or licence agreements, collects rents and generally fulfils the role of landlord.

For leased or managed projects, the Society fulfils some of the elements listed above, depending upon the form of agreement with the property owner. These often include maintenance obligations, offering tenancy and licence agreements, and the collection of rent.

The Society has also made one property available to another Registered Provider, which manages the scheme on behalf of the Society on a day to day basis, under a three year management agreement.

Support

The Society seeks to provide support beyond the services normally provided by a landlord to those living in its accommodation. This activity is funded through grants from Local Authorities, under which the Society received £1.919 million during the year, enabling the employment of support staff in most residential projects. The support provided enables previously homeless people, people with mental health issues, young homeless people and people with substance misuse problems to maintain their housing and to develop skills to live independently in the community.

Southampton City Council also funds the Handyperson service, supporting owner occupiers to stay in their own homes through property maintenance services.

The provision of Housing Related Support remains a major element of the Society's work, delivering services under contractual arrangements and being subject to a wide range of inspection, regulation and monitoring. In addition, as existing contracts expire, services are put out to competitive tender, so that a range of organisations have the opportunity to competitively bid to provide the service. These contractual arrangements are a crucial factor in forming a picture of the environment in which the Society operates.

Care

The Society manages St James Care, a registered care home. The Society purchased the care home in November 2006 in order to create a specialist care service for people with backgrounds of homelessness, substance misuse and mental health issues. This therefore provides an appropriate environment for older residents who could no longer stay in their existing accommodation because of their increasing care needs.

Society of St James

Report of the Board of Trustees incorporating a Strategic Report (*continued*) for the year ended 31 March 2016

Objectives and Activities (*continued*)

Substance Misuse Services

The Society provides a number of non-residential services for people with substance misuse issues. These services are provided in Southampton, Portsmouth and Hampshire. Each area has a different structure for substance misuse services and the Society provides a different service in each area.

These services work with over 250 people a week, providing a range of interventions to people with issues with alcohol and drugs. Each project is commissioned through competitive tendering and performance is carefully monitored by the commissioning body.

Social Enterprise

The Society manages Jamie's Computers which operates as a Social Enterprise. The aim of Jamie's is to generate income for the Society and to create training and learning opportunities as well as work placements for vulnerable adults in the city of Southampton.

Strategic Report - *Achievements and performance*

The last twelve months have been a successful year for the Society, with a number of key objectives (as defined in the business plan) being achieved, including:

- a) Developing more housing - there is a constant need for more housing and The Society of St James (SSJ) seeks continually to increase its stock of property, either owned or managed. In the last 12 months, SSJ has been offered nine more units to manage in Farnborough, which should be transferred in the next few months. These will provide accommodation for homeless families. SSJ has also launched a capital appeal to enable the purchase of another property;
- b) Transforming Rehabilitation - With the significant changes in the criminal justice arena and the formation of the privately run Community Rehabilitation Companies (CRC's), SSJ planned to develop partnership working with the new agency. After a year of negotiation, SSJ has now been contracted to provide accommodation to a CRC from the Integrated Offender Management (IOM) housing schemes in Southampton, Portsmouth and Gosport. Negotiations over a second contract have almost been completed, with a new service being launched at the end of this financial year, under which SSJ would provide a specialist substance misuse project, which would support offenders referred by a CRC. SSJ has had a long history of working with offenders and it is a positive step to have these contracts as a formal recognition of our role;
- c) Investors in People (IIP) - SSJ was assessed for the IIP Gold Standard and this was awarded in June 2015. This is a significant achievement, recognising SSJ's commitment to its staff and its commitment to be a well-run organisation. This achievement required significant input from the Board and staff, and adopting the IIP framework has improved the day to day running of SSJ;
- d) Rent, Maintenance and Supporting People software system - SSJ purchased a new computer system to provide better management of housing management and supporting people functions. The implementation has not been without its issues but the new system will enable better management of the Society's maintenance activities, better support planning and improved monitoring of rent collection.

In addition to the priorities laid out in last year's business plan, SSJ also had the following achievements:

- a) SSJ was awarded the contract to run a dual diagnosis scheme in Portsmouth, providing support to six people with mental health and substance misuse issues. This is a three year contract from Portsmouth City Council;
- b) Funding was awarded by the Department of Communities and Local Government (DCLG) to enable the employment of a homelessness worker to cover North Hampshire, working with local authorities.

Society of St James

Report of the Board of Trustees incorporating a Strategic Report (*continued*) for the year ended 31 March 2016

Strategic Report - *Achievements and performance (continued)*

As well as these achievements, there have been a number of set-backs, including the closure of the Home Support Service. Southampton City Council undertook a significant commissioning exercise by tendering all the domiciliary care services in the city. SSJ was unsuccessful in its bid and the Home Support Service was transferred to a private provider in June 2015.

The Society's total income has fallen in the year, from £8.05 million to £7.3 million, a reduction of approximately 10%. This is largely due to the tendering results, with the level of work being delivered under contract from local authorities falling. The loss of contracts leads to staff reductions as staff are transferred to other providers.

Some savings also had to be made in the year to other services, as cuts to existing contracts were made, with a small number of staff posts being deleted. Salary and other staff costs generally account for two thirds of the Society's expenditure, and staffing levels therefore need to be managed down in line with falling income.

The Society has therefore reduced in staffing, from 208 (full-time equivalent) to 184 over the last 12 months. This is a 10% reduction, reflecting the drop in income. Most of these posts have been lost in specific projects, but the Society also took the opportunity of natural turnover to review the Administration, Human Resources and Finance teams, thereby reducing head office staffing levels.

The Society's overall financial operating surplus of £100,509 constitutes a good result, as this was achieved in spite of needing to account for the additional liabilities arising from addressing the deficit of the pension scheme, which increased costs in the year by £57,000.

Strategic Report - *Financial Review*

Financial Position and Management Policies

The year ended 31 March 2016 has again seen a relatively small operating surplus of £112,721 (2015 – £100,528). However the Society remains in a sound financial position at 31 March 2016 and finished the year with a surplus for the year of £100,509 (2015 – £84,028).

There has been an increase in cash during the year to £523,748 (2015 - £304,935) which is largely because there has not been any significant expenditure on fixed assets during the year. The Society has no plans to alter the terms of its mortgage arrangements with NatWest and the Nationwide Building Society.

The Society has formal financial procedures in place that have been ratified by the Audit and Finance Committee and are widely known and followed by staff. The systems that are in use are considered to be sufficient for purpose.

All expenditure has to be authorised by project staff and management with final payments approved by two people in the finance team, including either the Financial Accounts Manager or the Director of Finance & Central Services. For items of major expenditure, quotes are requested to ensure the Society receives the best possible value for money. Cash is held in a variety of accounts and investments in order to both accrue interest and spread risks in areas such as investment return and fraud. Very few transactions are in cash, with payments to staff and suppliers made predominantly by bank transfer or, less frequently, by cheque. The Society follows a policy of ensuring that there is always sufficient cash in its accounts to ensure that relevant debts can be paid in full and on time.

Reserves

It has been an aim for a number of years to build up free reserves to a level that can be shown to provide a level of security for current and future operations. Free reserves increased in the year to £709,514 at 31 March 2016 (2015 - £524,728); representing just over 1 month's worth of expenditure. Free reserves are calculated by subtracting the value of fixed assets from total reserves before adding back long term liabilities and the next year's mortgage liability. The Trustees consider that the optimum level of free reserves (given the nature of the Society's operations and the environment in which it operates) is equal to approximately 3 months expenditure and continue to aim for this level of free reserves.

Society of St James

Report of the Board of Trustees incorporating a Strategic Report (*continued*) for the year ended 31 March 2016

Strategic Report - *Financial Review* (*continued*)

Reserves (continued)

The Society had £2,795,240 of total reserves at 31 March 2016 (2015 - £2,699,446), of which £2,651,048 (95%) (2015 - £2,550,539, 94%) were revenue reserves. There has been a decrease in the level of the revaluation reserve (which holds the difference in value between the purchase price and current price of the Society's investments) which was £144,192 at 31 March 2016 (2015 - £148,907) due to the decrease in value of the investments. The Society has however benefited from the distributions from its investment in the Charities Property Fund during the year.

Sources of Funding and Investments

The percentage of the Society's income that it receives through housing support (previously Supporting People ("SP")) contracts has increased slightly during the year to around 26% (2015 - 24%) of total income although the actual amount of funding from this source has fallen by approximately £45,000. Whilst there has been the full year impact of reductions in these grant levels from Southampton City Council this has been partially offset by the success in a tender for services in Portsmouth. The largest source of income for the Society remains rental and service charge income from the properties it owns or manages. This has increased to approximately 38% of total income in the year to 31 March 2016 (2015 33%), as actual income in this area has risen slightly again despite overall turnover falling. It is usually collected directly from the relevant Local Authority in the form of Housing Benefit payments.

Income from substance misuse support services continues to be a significant source of income for the Society although income in this area has decreased to £1,861,516 (2015 - £2,202,293) and now represents 25% of the Society's total income (2015 - 29%). Included within this funding was £20,000 received from the Hampshire Community Rehabilitation Company to support the Integrated Offender Management housing service. Donations and awards from philanthropic trusts and the general public remain a key source of funding with the Society benefitting from £207,942 in the year to 31 March 2016 (2015 - £223,828) with a further £30,000 received specifically to aid the purchase of property in the future.

The Society has a policy of diversifying its investments in order to spread risk and to maintain suitable cash balances for the day to day running of its operations. However, only minimal levels of cash are kept in current accounts with larger receipts being transferred into higher interest accounts with instant access facilities. The interest received on cash deposits has increased during the year due to the change to a higher rate instant access account. The Society has chosen particular investment funds that are specifically designed for charities with the aim of spreading risk and investing in a largely ethical manner.

The funds in which the Society held investments at the end of the year were Charifund, the Charities Property Fund and Chariguard. Charifund and Chariguard are equity based investments managed by M&G Securities and RCM (UK) Ltd respectively. The Charities Property fund (CPF) is a property based investment aimed at both capital growth in the value of properties owned by the fund and income in the form of rents charged to tenants in these properties, the fund is managed by Cordea Savills. Only the CPF has increased in value during the year whilst both Charifund and Chariguard lost some of their value which is reflected by the decrease in the revaluation reserve. The Chariguard fund was closed on 30 June 2016 by RCM (UK) Limited and the final value of the investment at that date has been returned to the Society, the Board is currently considering how best to reinvest this cash.

Society of St James

Report of the Board of Trustees incorporating a Strategic Report (*continued*) for the year ended 31 March 2016

Strategic Report - *Plans for the Future*

There are significant areas of unmet need within the areas of expertise that the Society operates. In order to meet the charitable objectives of the Society, it will need to continue to fulfil its existing role and to develop new services.

The Society will therefore over the next three years seek to continue to deliver Housing, Support, Care, Treatment and Training to vulnerable adults in Hampshire and surrounding areas. The Society will also seek to develop its work into new geographic areas and into new types of services, in order to meet the needs of our existing and potential new service users.

This will involve bidding for new work through the tendering process, working on specific proposals with local commissioners and by seeking philanthropic funding for projects or areas of work.

There are a number of specific opportunities for SSJ to develop and to make a contribution to the local community, as described below:

a) Provision of Housing

In response to the clear need for more housing for our service users, SSJ is committed to buying more property. A fundraising appeal was launched last year, and this will continue this year, with the aim of being able to acquire a house during this financial year. This will be subject to the outcome of the Supported Housing review (described above) to ensure that the scheme will be viable once completed.

b) Transforming Rehabilitation

SSJ has been providing working with offenders for a number of years and has developed a range of services which address homelessness and substance misuse for offenders. In line with the Transforming Rehabilitation agenda, SSJ is in discussion with Purple Futures, (the newly appointed provider for probation services in Hampshire) about the provision of services under a contract with this new provider.

c) Future Tendering Opportunities

There will be a number of tenders issued by local authorities and other commissioners over the next 12 months, including a substance misuse tender in Portsmouth. SSJ will be seeking to win as many tenders as possible in our area in fields where we have expertise and experience.

Strategic Report - *Principal Risks and Uncertainties*

The Society faces a wide range of risks and uncertainties, many of which are collated annually in the Society's Business Risk Management Plan. In the context of this report, the principal risks are considered to be financial.

The majority of SSJ's income comes from government funding in some form or another. This funding has been under pressure over the last four years as the Government has sought to reduce public spending. This results in less money being available for local authorities, who in turn, reduce the funding available to providers of services. Following the Chancellor's Autumn Statement in November 2015, the Government affirmed its commitment to further reductions in public expenditure, with a number of its proposals directly impacting on Housing Associations working with people with support needs. These various proposals have significant implications for SSJ as outlined below.

Rent levels being cut by 1%

Housing Association rents have been capped by the regulator for many years, with parameters agreed well in advance to allow associations to plan financially. The Government caused considerable surprise by reversing this agreement, replacing the annual rent increase of CPI plus 1% with a minus 1% cut to rents each year for the next four years. The impact of this cut is significant, as it represents a 4.4% cut in rent over the four years plus the loss of the CPI + 1% to cover the cost of living. While inflation is low this has less of an impact, but if CPI climbs to 2% in the next few years, the total loss of income could be 10-12% reduction compared to the previous model.

Society of St James

Report of the Board of Trustees incorporating a Strategic Report (*continued*) for the year ended 31 March 2016

Strategic Report - *Principal Risks and Uncertainties (continued)*

Rent levels being cut by 1% (continued)

However, in January 2016, it was announced that this cut to rents would be delayed for one year specifically for supported housing, to allow a review of the supported housing sector to take place. This review is currently due to report by the end of March 2017. Therefore rents will increase in April 2016, but may then be cut for the four subsequent years, subject to the review. This scenario has been used for SSJ's business modelling, in the absence of any other firm information.

SSJ has already made some changes to head office staffing in order to absorb this cut, and savings could be made in future years to ensure on going viability.

Capping Social Rents to the levels of Local Housing Allowance (LHA).

The Autumn Statement (November 2015) proposed that housing benefit claimed to cover social housing rents should be capped at the same level as private sector rents (as defined by the LHA). While this may be possible for general needs family housing, this proposal would have a devastating effect on Supported Housing with its higher costs and higher rent levels. The impact on SSJ would be a loss in income of just over £1 million per annum, which is a 40% cut to rents. This would make all of SSJ's existing schemes unviable. The proposal was that this measure would come into effect in two years for those signing up for new tenancies from April 2016.

This would have a domino effect within SSJ, as support contracts could not be delivered if the buildings could not be sustained. This would result in projects closing with over 50% of SSJ's activity at risk. Property owned by other Housing Associations and managed under Housing Management Agreements or leases would need to be handed back, and other uses found for property owned by SSJ.

The Government's current plan is for Discretionary Housing Benefit (DHB) to be used to cover the cut in LHA. This is administered by each local authority, with criteria which reflect local priorities. It is also currently paid to individuals, dependant on their personal circumstances and levels of need. The criteria which would be used for residents in supported housing have yet to be drawn up, so it is difficult to evaluate how the DHB funds would be administered and what level of priority given to different individuals, clients groups or projects. There is also concern that the level of funds set aside for the DHB fund may be insufficient, but this may be clarified in the forthcoming review.

In terms of planning for the future, it must be assumed that the Government will not allow the closure of almost all supported and sheltered housing across the country, and it is anticipated that the Government will not implement the LHA cap as currently defined. However, the Department of Work and Pensions are committed to reducing the welfare budget and therefore some cuts to funding are likely. At the time of writing, it is impossible to predict the magnitude of these. The announcement of the findings from the Government's review of supported housing has been delayed to the spring of 2017, with implementation in April 2018. The Board will monitor this situation carefully, drawing up plans based on the various scenarios as they unfold.

On-going Pressure on Local Authority Budgets

This will result in SSJ facing a number of challenges over the coming two to three years, such as:

- a) Local Authorities seeking to renegotiate existing contracts as they seek to save money. This process is currently under way with several contracts;
- b) Risk of existing contracts not being re-commissioned when reaching their end date;
- c) Tenders being issued when contracts come to an end but at reduced values.

Since almost all of the contracts are for a three year period with options to extend, all of these could be re-tendered in the period covered by this plan. However, it is impossible to be clear about specific dates, as contracts are also often extended, due to lack of resources to undertake the commissioning exercise.

Society of St James

Report of the Board of Trustees incorporating a Strategic Report (*continued*) for the year ended 31 March 2016

Strategic Report - *Principal Risks and Uncertainties (continued)*

On-going Pressure on Local Authority Budgets (continued)

SSJ has undertaken financial modelling, looking at the best, worst and most likely scenarios for the various projects and schemes it provides. The "most likely" scenario shows a reduction of funding over the next three years, as the government austerity program continues, reducing the ability for local authorities and other agencies to fund services.

Other Issues

SSJ faces a range of other issues which impact in various ways:

- a) Falling commodity prices in world markets - surprisingly the falling value of gold and copper has impacted on SSJ, with Jamie's Computers not being able to achieve its previous levels of surplus from its recycling of computer components. While Jamie's is still breaking even, it is unlikely to be able to contribute surpluses to SSJ at previous levels;
- b) FRS requirements - the changes to accounting standards being introduced (FRS102) change the way SSJ's liabilities are accounted for, increasing the risk of SSJ having to report a deficit in the accounts in some years. While this does not reflect any change to SSJ's underlying business, it does increase the chance of a breach of mortgage covenants. An operating loss would also impact the scoring of SSJ in future tendering opportunities;
- c) Minimum and living wage - the "National Living Wage" was implemented by the Department for Work and Pensions (DWP) in April 2016 for adults over 25 years of age. This will have an increasing impact on SSJ as the rates increase. While the numbers of staff employed at these rates are low, the changes will impact especially at St James Care, the Registered Care Home. Increasing staff salaries have been included in the three year plan, and are expected to be covered by increasing fees, which will be received for working with individuals with higher care needs;
- d) Reduction in welfare benefits to Service Users, including implementation of Universal Credit (UC) - the DWP is rolling out UC in stages across the country and by different demographic groups. For example, some couples and single people are now on UC, but most residents of supported housing are still excluded. SSJ will need to support some clients in making UC claims, especially for the first time. Support such as food parcels may also be needed, with the longer period of time that people have to wait before their first payment arrives.

Society of St James

Report of the Board of Trustees incorporating a Strategic Report (*Continued*) for the year ended 31 March 2016

Value for Money Statement

The Society is committed to delivering effective and efficient services to service users and embraces the Value for Money (VFM) methodology as required by the Homes and Community Agency. The Society agreed the Value for Money Policy in July 2013, which includes the following Statement of Intent:

"The Society of St James seeks to ensure that all financial and other resources are used to achieve the greatest benefits for the Society, in working towards the furtherance of the aims of the organisation, as described in the governing documents."

The approach adopted for VFM assessment by the Society is designed to reflect the goals and circumstances for the organisation.

The Society is a highly diversified organisation, with only 38% of its income coming from rent and service charges (net rent and service charges receivable £2,817,452 as a proportion of £7,302,448 turnover).

The Society has therefore a wide range of indicators, many agreed with commissioners, to evaluate the effectiveness of the organisation, in addition to the housing based KPI's, as used by Registered Providers.

The Society is committed to providing good quality services in an efficient manner and to use surpluses achieved to deliver better services in the future.

The Society has therefore completed an annual self-assessment, based on key areas of activity in the year, which reviewed:

- Head office procurement;
- Senior management team salaries;
- Social enterprise activity.

Head Office Procurement

The Society began a systematic review of contracts and other procurement about 2 years ago, in order to ensure that the Society was being efficient in use of resources. Last year's report highlighted the savings achieved, and this report builds on that success.

Landline Telephony: As reported last year, SSJ entered a new combined contract for landline telephony provision in April 2015, following a tendering process in late 2014/15. Prior to the transfer, the estimated annual spend for these contracts were circa £65,000. Initial estimates suggest that the total spend on the new contract has been reduced to circa £17,000 for year 2015/16.

Mobile Telephony: There have been two tendering processes conducted over the last 12 months, resulting in total savings from the annual budget of £13,700 plus an increase in the allowances available for equipment.

Energy Contracts: New suppliers have been appointed for the supply of gas and electricity. Although these have only recently changed, it is estimated that annual savings will be in the region of £24,000.

The review of contracts across the Society has resulted in cost savings and better service from contractors. The total savings achieved by this review over the last 2 years are summarised below with savings of more than 1% of the Society's turnover:

Item	Original cost	New cost	Savings
Landlines	£65,000	£17,000	£48,000
Mobile phones	£33,534	£19,700	£13,834
Energy	~£150,000	~£126,000	(estimated) £24,000
Lone worker devices	£11,150	£8,220	£2,930
Other Procurement			(estimated) £12,500
Total			£101,254

Society of St James

Report of the Board of Trustees incorporating a Strategic Report (*continued*) for the year ended 31 March 2016

Value for Money Statement (*continued*)

Senior Management Team Salary Costs

The Society is committed to reducing management costs and overheads where possible. The reduction in size of the Senior Management Team over the last year has resulted in a reduction in the gross salary costs from £315,496 to £285,262. This is a saving of approximately 10%, in line with the reduction in the turnover

Social Enterprise activity

The Society established Jamie's Computers in 2002 as a social enterprise with the aims of creating volunteering, training and employment opportunities and creating income for the Society. This has been a tough year for Jamie's, with income falling in line with falling commodity prices and lower demand for refurbished machines from our wholesale buyers. However, Jamie's was able to make a surplus through trading, of 3.3% of turnover, without receiving any external grant or subsidy.

In addition a team of volunteers (about 20 at any one time) and people on work placements or community orders were provided with meaningful activity, learning skills and achieving other personal development targets. This therefore represents a high level of value for money for the Society, making a significant financial contribution to the Society, as well as achieving social aims.

In conclusion, the Board continues to be satisfied that the Society is delivering good value for money. The Society is committed to working within the Value for Money Standard in order to provide best value for its clients and service users. In particular, the Board will continue to carefully evaluate larger plans for expenditure, in line with the principles discussed, to ensure that the VFM approach is followed and that optimum outcomes are achieved.

Society of St James

Report of the Board of Trustees incorporating a Strategic Report (*continued*) for the year ended 31 March 2016

Statement of the Board of Trustees' responsibilities

The Board members are responsible for preparing the report of the Board and the financial statements in accordance with applicable law and regulations.

Company law and social housing legislation require the Board members to prepare financial statements for each financial year. Under that law the Board members have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law, including FRS 102). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the society and of the surplus or deficit of the society for that period.

In preparing these financial statements, the Board members are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice for social housing providers (2014) have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the society will continue in business.

The Board members are responsible for keeping proper accounting records that are sufficient to show and explain the society's transactions and disclose with reasonable accuracy at any time the financial position of the society and enable them to ensure that the financial statements comply with the Companies Act 2006, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015. They are also responsible for safeguarding the assets of the society and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board is responsible for ensuring that the Report of the Board is prepared in accordance with the Statement of Recommended Practice for social housing providers (2014).

Financial statements are published on the society's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the society's website is the responsibility of the Board Members. The Board Members' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Auditors

All of the current Trustees have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The Trustees are not aware of any relevant audit information of which the auditors are unaware.

Nexia Smith & Williamson are deemed to be re-appointed as auditors.

This report was approved by the Board of Trustees on 30/8/16
and is signed on its behalf by:



N Cato, Trustee

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SOCIETY OF ST JAMES

We have audited the financial statements of the Society of St James for the year ended 31 March 2016 which comprise the Statement of Comprehensive Income, the Statement of Changes in Reserves, the Statement of Financial Position, the Statement of Cash Flows and the related notes 1 to 25. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting standard applicable in the UK and Republic of Ireland.

This report is made solely to the Society's members, as a body, in accordance with the Housing and Regeneration Act 2008 and Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Society's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Society and the Society's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Board and auditors

As explained more fully in the Statement of the Board of Trustees' responsibilities set out on page 12, the Board members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit 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 on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Society's affairs as at 31 March 2016 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the requirements of the Companies Act 2006, the Housing and Regeneration Act 2008 and The Accounting Direction for Private Registered Providers of Social Housing 2015.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SOCIETY OF ST JAMES (continued)**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:

- a satisfactory system of control over transactions has not been maintained;
- 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 Board member and or directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Nexia Smith & Williamson

Julie Mutton
Senior Statutory Auditor, for and on behalf of
Nexia Smith & Williamson
Statutory Auditor
Chartered Accountants
Imperial House
18-21 Kings Park Road
Southampton
SO15 2AT

Date: 7/9/16

Society of St James

Statement of Total Comprehensive Income for the year ended 31 March 2016

	Notes	2016 £	2015 £
Turnover	3	7,302,448	8,057,854
Operating costs	3	(7,189,727)	(7,957,326)
Operating surplus	2,3	112,721	100,528
Surplus on disposal of fixed assets		-	-
Surplus on ordinary activities before interest		112,721	100,528
Interest receivable and similar income	6	8,495	4,352
Interest payable and similar charges	7	(20,707)	(20,852)
Surplus on ordinary activities before taxation		100,509	84,028
Tax on surplus on ordinary activities	8	-	-
Surplus for the year		100,509	84,028
Unrealised (deficit)/surplus on investments		(4,715)	21,231
Total comprehensive income for the year		95,794	105,259

All activities of the charitable company are classed as continuing.

The notes on pages 19 to 38 form part of these financial statements.

Society of St James

Statement of Changes in Reserves for the year ended 31 March 2016

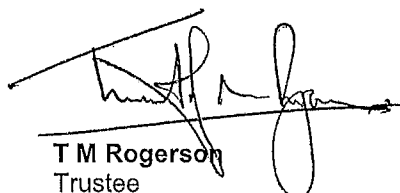
	Income and expenditure reserve £	Revaluation Reserve £	Total £
Balance as at 1 April 2014	2,466,511	127,676	2,594,187
Surplus for the year	84,028	-	84,028
Revaluation of Investments	-	21,231	21,231
	<hr/>	<hr/>	<hr/>
Balance at 31 March 2015	2,550,539	148,907	2,699,446
	<hr/>	<hr/>	<hr/>
Surplus for the year	100,509	-	100,509
Revaluation of Investments	-	(4,715)	(4,715)
	<hr/>	<hr/>	<hr/>
Balance at 31 March 2016	2,651,048	144,912	2,795,240
	<hr/>	<hr/>	<hr/>

Society of St James

Statement of Financial Position at 31 March 2016 Company Registration Number: 03009700

	Notes	2016 £	2015 £
Fixed assets			
Housing properties at cost less depreciation	9	2,922,377	2,967,872
Intangible assets	10	71,500	78,000
Other fixed assets	11	378,335	427,864
Investments	12	301,886	306,601
		<u>3,674,098</u>	<u>3,780,337</u>
Current assets			
Debtors	13	678,502	766,139
Cash at bank and in hand		523,748	304,935
		<u>1,202,250</u>	<u>1,071,074</u>
Creditors: amounts falling due within one year	14	838,235	895,520
		<u>364,015</u>	<u>175,554</u>
Net current assets			
		<u>4,038,113</u>	<u>3,955,891</u>
Total assets less current liabilities			
Creditors: amounts falling due after more than one year	15	1,242,871	1,256,445
		<u>2,795,240</u>	<u>2,699,446</u>
Total net assets			
		<u>144,192</u>	<u>148,907</u>
Capital and reserves			
Revaluation reserve		2,651,048	2,550,539
Revenue reserves			
Total Capital and Reserves		<u>2,795,240</u>	<u>2,699,446</u>

The financial statements on pages 15 to 38 were approved and authorised for issue by the Board of Trustees on 30 August 2016 and are signed on its behalf by:-


T M Rogerson
Trustee


N Cato
Trustee

The notes on pages 19 to 38 form part of these financial statements.

Society of St James

Cash flow statement for the year ended 31 March 2016

	Notes	£	2016 £	£	2015 £
Net cash generated from operating activities	23		339,017		213,103
Cash flow from investing activities					
Acquisition, construction and works to tangible fixed assets		(65,512)		(469,859)	
Grants received		-		-	
Sale of tangible fixed assets		-		-	
Interest received		-		-	
Net cash used in investing activities			(65,612)		(469,859)
Cash flow from financing activities					
New loans		-		180,000	
Loans repaid		(42,380)		(40,732)	
Interest paid		(20,707)		(20,852)	
Interest received		8,495		4,352	
Net cash (used)/generated in financing activities			(54,592)		122,768
Increase/(decrease) in cash and cash equivalents			218,813		(133,988)
Cash and cash equivalents at beginning of year			304,935		438,923
Cash and cash equivalents at end of year			523,748		304,935

Society of St James

Notes forming part of the financial statements for the year ended 31 March 2016

1 Accounting policies

Society of St James ("the Society") is a company limited by guarantee and incorporated in England and Wales. It is a registered provider of social housing with the Homes and Communities Agency and the address of the registered office is 125 Albert Road South, Southampton, SO14 3FR.

Basis of accounting

The financial statements have been prepared in accordance with UK Generally Accepted Practice (UK GAAP) including Financial Reporting Standard 102 (FRS 102) and the Housing SORP 2014: Statement of Recommended Practice for Registered Social Housing Providers and comply with the Accounting Direction for Private Registered Providers of Social Housing 2015.

The financial statements are prepared under the historical cost convention as modified by the revaluation of certain fixed assets at the date of transition under the 'deemed cost' option of FRS 102 and as modified by the revaluation of investments.

These financial statements are the first annual financial statements of the Society in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland. The first date at which FRS 102 was applied was 1 April 2014. In accordance with FRS 102 the Society has:

- provided comparative information
- applied the same accounting policies throughout all periods presented;
- retrospectively applied FRS 102 as required; and
- applied certain optional exemptions and mandatory exceptions as applicable for first time adopters of FRS 102.

The Society meets the definition of a Public Benefit Entity under FRS 102

Further information about the transition to FRS 102 can be found in note 25.

The principal accounting policies of the Society are set out below.

Significant judgements and estimates

The preparation of financial statements in conformity with generally accepted accounting practice requires management to make estimates and judgements that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the Statement of Financial Position date and the reported amounts of revenues and expenses during the reporting period.

Significant management judgements

The following are the significant management judgements made in applying the accounting policies of the Society that have the most significant effect on the financial statements

Identification of housing property components

Housing property depreciation is calculated on a component by component basis. The identification of such components is a matter of judgement and may have a material impact on the depreciation charge. The components selected are those which reflect how the major repairs to the property are managed.

Estimation uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Society of St James

Notes forming part of the financial statements for the year ended 31 March 2016

1 Accounting policies (continued)

Goodwill

The amortisation of goodwill over 20 years is the outcome of a decision of the Board of Trustees who chose to use this term when the goodwill arose in 2006; it is judged that this term remains reasonable and that there is no need for the goodwill to be impaired.

Bad debt provision

Trade debtor balances are recorded in the Society's statement of financial position and comprise a relatively large number of small balances. A full line by line review of trade debtors is carried out at the end of each month. Whilst every attempt is made to ensure that the bad debt provisions are as accurate as possible, there remains a risk that the provisions do not match the level of debts which ultimately prove to be uncollectible.

Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date based on the expected utility of the assets. Uncertainties in these estimates relate to technological obsolescence with regard to IT equipment/software and any changes to decent homes standard requiring frequent replacement of components.

Deemed Cost

The Society has elected to recognise its head office premises at deemed cost as allowed in transitional adjustments to adopting FRS102. A Board member with appropriate professional expertise has approved the valuation that has been used but this has not been market tested and therefore is an estimate that has not been externally verified.

Dilapidations

A number of provisions are held in the accounts to reflect the management's view of the potential liabilities that the Society has to pay for dilapidations to premises that it rents during and after its tenure in them. Experience of previous dilapidations claims and settlements has informed these estimates.

Multi-employer pension obligation

The Society of St James participates in a variety of pension schemes administered by the Pensions Trust; the Growth Plan scheme has certain guarantees associated with it that require participating employers to make additional contributions to it should the scheme be in deficit. The Society has a contractual obligation to make deficit contributions over a number of years and the present value of these future contributions are measured and reported in the Financial Statements. The rate used to calculate the present value is the equivalent single discount rate which, when used to discount the future recovery plan contributions due, would give the same results as using a full AA corporate bond yield curve to discount the same recovery plan contributions.

Housing Property Values

Housing properties transferred from other Registered Providers must be valued at Existed Use Value – Social Housing (EUV-SH). The Society owns a number of such properties that were not valued on this basis when they originally transferred. The Society has chosen to estimate the EUV-SH of these properties using valuations undertaken 3 years from the date of transfer and then extrapolating rent increase percentages and multiplying the EUV-SHs by this amount. A suitably qualified Board member has ratified this valuation methodology.

Society of St James

Notes forming part of the financial statements for the year ended 31 March 2016

1 Accounting policies (continued)

Turnover

Turnover includes rental and service charge income from residential properties in respect of the year and any other income such as legacies. Fees or grants receivable from local authorities in respect of revenue are credited to the Statement of Comprehensive Income in the same period as the expenditure to which they relate. Grants received for housing properties are recognised in income on a systematic basis.

Interest Payable

Interest payable is charged to the Statement of Comprehensive Income in the year to which it relates.

Goodwill

Positive goodwill arising from the purchase in November 2006 of Avondale Residential Care Home (representing the excess of the purchase price of the business over the valuation of the assets acquired) has been capitalised and, subject to impairment reviews as required, will be amortised by equal charges to the Statement of Comprehensive Income, over the period from which economic benefit is derived, which is considered to be 20 years.

Housing properties

Freehold housing properties are stated at cost. Cost includes the cost of acquiring land and buildings, development costs, and expenditure incurred in respect of improvements. In accordance with the SORP, component accounting has been adopted. The components of a property have therefore been identified and when a component is replaced the cost is capitalised as a component of the property. Other repair work is charged to the Statement of Comprehensive Income.

Freehold land is not depreciated. Depreciation is charged so as to write down the cost of freehold properties other than freehold land to their estimated residual value on a straight line basis over their estimated useful economic lives at the following rates:

Component	Years	Component	Years	Component	Years
Structure	50	Boiler and Heating System	10	Bathrooms*	10 or 20
Roof	30	Windows and Doors [^]	5 or 20	Sub structure	10
Electrical	20	Solar Panels	12	Kitchens*	5 or 10
Wiring					

[^] UPVC windows and doors: 20 years; wooden windows: 5 years

* Bathrooms and Kitchens are depreciated at the shorter rate where there are shared facilities

Leasehold property and leasehold improvements

Leasehold housing property and leasehold improvements are accounted for as Freehold housing property other than depreciation which is charged over the life of the lease, or using the rates in the table above, whichever is the lower.

Other freehold property

Other freehold properties are stated at cost. Cost includes the cost of acquiring land and buildings, development costs, and expenditure incurred in respect of improvements. Freehold land is not depreciated. Depreciation is charged so as to write down the cost of other freehold properties other than freehold land to their estimated residual value on a straight line basis over their estimated useful economic lives of 50 years.

Society of St James

Notes forming part of the financial statements for the year ended 31 March 2016

1 Accounting policies (continued)

Other fixed assets

Expenditure on other tangible fixed assets is capitalised only when it has a life of more than one year and has a value of more than £1,000, or where the expenditure forms part of the overall setup costs of a new project (including professional fees). The cost of other items is written off as incurred. Depreciation is provided on these tangible fixed assets at rates calculated to write off cost over their expected useful lives, using the straight line method at a rate of between 25% to 50% per annum.

The Society has taken the transitional relief to include certain other fixed assets at fair value at the date of transition to FRS 102, known as deemed cost.

Capital Grants – Housing Property

Capital Grants, received as Social Housing Grants and other public grants, are recognised when appropriate, in accordance with the terms of the grant.

Government grants include grants receivable from the Homes & Communities Agency (HCA), local authorities and other government organisations. Government grants received for housing properties are recognised in income over the useful life of the housing property structure on a pro rata basis under the accrual model. The unamortised element of the government grant is recognised as deferred income in creditors.

Grants due from government organisations or received in advance are included as current assets or liabilities.

Government grants released on sale of the property may be repayable but are normally available to be recycled and are credited to a Recycled Capital Grant Fund, included in creditors. If there is no requirement to recycle or repay the grant on disposal of the asset, any unamortised grant remaining within creditors is released and recognised as income in the Statement of Comprehensive Income.

Capital Grants – Other fixed assets

Capital grants received for other fixed assets are held as creditors and recognised on a straight line basis over the useful economic life of the asset for which they have been used to acquire.

Revenue Grants

Grants relating to revenue are recognised in the Statement of Comprehensive Income over the same period as the expenditure to which they relate. Until the revenue grants are recognised as income they are recorded as liabilities.

Investments

Investments are valued at current market value.

Operating leases

Annual rentals under operating leases are charged to the profit and loss account on a straight line basis over the term of the lease.

The aggregate benefits of any lease incentive are recognised as a reduction in expenses over the term of the lease.

Society of St James

Notes forming part of the financial statements for the year ended 31 March 2016 (*Continued*)

1 Accounting policies (continued)

Pension costs

Payments made to defined contribution pension schemes are charged to the Statement of Comprehensive Income in the period for which they are payable.

Contributions payable by the Society under the terms of its funding agreement for past deficits are recognised as a liability in the Statement of Financial Position.

Provisions

The use of provisions is restricted to situations where a liability exists but where there is some uncertainty as to the timing or amount of the expenditure or the identity of the creditor.

Taxation

The Society has charitable status and therefore is not subject to Corporation Tax on surpluses derived from charitable activities.

Value added tax

The Society is VAT registered and is able to recover all VAT incurred at Jamie's Computers and part of the VAT on Head Office costs. All other VAT incurred is included within the category of expenditure to which it relates.

Financial Instruments

Financial assets and financial liabilities are recognised in the Statement of Financial Position when the Society becomes a party to the contractual provisions of the instrument.

Trade and other debtors and creditors are classified as basic financial instruments and are measured at initial recognition at transaction price. Debtors and creditors are subsequently measured at amortised cost using the effective interest rate method. A provision is established when there is objective evidence that the Society will not be able to collect all amounts due.

Cash and cash equivalents are classified as basic financial instruments and comprise cash in hand and at bank, short-term bank deposits with an original maturity of three months or less and bank overdrafts which are an integral part of the Society's cash management.

Interest bearing bank loans, overdrafts and other loans which meet the criteria to be classified as basic financial instruments are initially recorded at the present value of cash payable to the bank, which is ordinarily equal to the proceeds received net of direct issue costs. These liabilities are subsequently measured at amortised cost, using the effective interest method.

The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial asset or liability or, where deemed appropriate, a shorter period to the net carrying amount on initial recognition.

Non-basic financial instruments are recognised at fair value using a valuation technique with any gains or losses being reported in surplus or deficit.

Cash and Cash Equivalents

Cash and cash equivalents includes cash in hand and bank deposits with maturities of three months or less.

Society of St James

Notes forming part of the financial statements for the year ended 31 March 2016 (Continued)

2 Operating surplus

	2016 £	2015 £
<i>Operating surplus is stated after charging:</i>		
Depreciation		
- housing properties	71,539	70,434
- other fixed assets	89,097	112,587
Amortisation of goodwill	6,500	6,500
Auditors' remuneration		
- as auditors (including VAT and expenses)	11,490	10,300
- other services	2,640	-
Rent losses from bad debts		
- rent (net of service charges)	22,809	41,577
- service charges	16,912	20,395
Operating lease costs		
- land and buildings	479,362	436,060
	<u> </u>	<u> </u>

3 Income and Expenditure from Social Housing Activities

	2016 £	2015 £
Income		
Rent receivable net of identifiable service charges and voids	1,815,405	1,724,324
Service charges receivable	1,041,768	987,834
Revenue and capital grants	4,189,879	5,020,447
	<u> </u>	<u> </u>
Turnover from social housing activities	7,045,838	7,732,605
Social housing activity expenditure	6,939,710	7,686,334
	<u> </u>	<u> </u>
Operating surplus from social housing activities	106,128	46,272
	<u> </u>	<u> </u>
Void losses	248,826	212,528
	<u> </u>	<u> </u>

4 Staff costs

	2016 £	2015 £
Wages and salaries	4,289,062	4,847,307
Social security costs	343,591	399,018
Other pension costs	206,918	222,894
	<u> </u>	<u> </u>
	4,839,571	5,469,219
	<u> </u>	<u> </u>

All company pension scheme contributions are made to a pension scheme operated on the company's behalf by the Pension Trust.

Society of St James

Notes forming part of the financial statements for the year ended 31 March 2016 (Continued)

4 Staff costs (continued)

The average number of staff directly employed by the company during the year (expressed in full time equivalents) was:

	2016 Number	2015 Number
Housing and support	126	138
Substance misuse	33	44
Social enterprise	7	7
Finance	5	6
Administration	12	13
	<hr/> 184	<hr/> 208

5 Senior Management Team's emoluments (including key Management Personnel)

The aggregate emoluments of the Senior Management Team, including the Chief Executive, were:

	2016 £	2015 £
Wages and salaries	249,178	281,237
Company contributions to money purchase pension schemes	36,084	34,259
	<hr/> 285,262	<hr/> 315,496
Remuneration payable to the highest paid Director excluding pension	<hr/> 68,655	<hr/> 68,809

For the year ended 31 March 2016 the number of employees whose annual emoluments were £60,000 or more were:

	2016	2015
£70,000 to £80,000	<hr/> 1	<hr/> 1

The Chief Executive is a member of the 'Growth Plan' pension scheme that is administered by the Pensions Trust and was available to all staff until 1 July 2012. As with all staff in this scheme the Chief Executive sacrifices 5% of his salary in order for the company to make a contribution of 14% of salary (as listed above) to the scheme. There are no enhanced or special terms for the Chief Executive's pension and he is an ordinary member of the scheme. The Chief Executive has no other pension arrangements to which the company makes a contribution.

No member of the Board of Trustees received any remuneration in either the current or comparative years.

Society of St James

Notes forming part of the financial statements for the year ended 31 March 2016 (*Continued*)

6 Interest receivable and similar income

	2016 £	2015 £
Interest receivable and investment income	8,495	4,353

7 Interest payable

	2016 £	2015 £
Mortgage interest	18,287	16,722
Unwinding of discount factor	2,420	4,130
	20,707	20,952

8 Tax on surplus on ordinary activities

Society of St James is a registered charity and, as such, is exempt from liability to taxation on income and capital gains derived from its charitable activities.

9 Housing property

	Leasehold land and property £	Freehold land and property £	Total £
<i>Cost</i>			
At 1 April 2015	536,094	3,170,397	3,706,491
Additions: new properties	-	-	-
works to existing properties	6,632	19,412	26,044
	542,726	3,189,809	3,732,535
<i>Depreciation</i>			
At 1 April 2015	108,497	630,122	738,619
Charge for the year	9,054	62,485	71,539
	117,551	692,607	810,158
<i>Net book value</i>			
At 31 March 2016	425,176	2,497,202	2,922,377
At 1 April 2015	427,597	2,540,275	2,967,872

Included in freehold land and property is freehold land amounting to £1,197,969 (2015: £1,197,969), which is not depreciated. Included in leasehold land and property is leasehold land amounting to £427,597 (2015: £427,597), which is not depreciated.

Society of St James

Notes forming part of the financial statements
for the year ended 31 March 2016 (*Continued*)

10 Intangible assets

	Goodwill £
Cost at 1 April 2015 and 31 March 2016	130,000
<i>Amortisation</i>	
At 1 April 2015	52,000
Charge for the year	6,500
At 31 March 2016	58,500
<i>Net Book Value</i>	
At 31 March 2016	71,500
At 1 April 2015	78,000

11 Other fixed assets

	Freehold Property £	Leasehold Improve- ments £	Motor vehicles £	Office Equipment £	Housing Equipment £	Total £
<i>Cost</i>						
At 1 April 2015	237,100	317,989	50,545	191,758	160,508	957,900
Additions	-	27,153	-	3,756	8,659	39,568
At 31 March 2016	237,100	345,142	50,545	195,514	169,167	997,468
<i>Depreciation</i>						
At 1 April 2015	6,533	210,802	41,239	163,697	107,765	530,036
Charge for the year	3,508	40,350	6,122	16,478	22,639	89,097
At 31 March 2016	10,041	251,152	47,361	180,175	130,404	619,133
<i>Net book value</i>						
At 31 March 2016	227,059	93,990	3,184	15,339	38,763	378,335
At 1 April 2015	230,567	107,187	9,306	28,061	52,743	427,864

On a historical cost basis the freehold property would have been included at:

	2016 £	2015 £
Cost	295,609	295,609
Aggregate depreciation	(77,465)	(73,720)
Depreciated cost	218,144	221,889

Society of St James

Notes forming part of the financial statements for the year ended 31 March 2016 (Continued)

12 Investments

	Listed £	Unlisted £	2016 £	2015 £
<i>Cost or valuation</i>				
Valuation at 1 April 2015	296,601	10,000	306,601	285,370
Unrealised gain/ (deficit) in year	(4,715)	-	(4,715)	21,231
	<hr/>	<hr/>	<hr/>	<hr/>
Cost or Valuation at 31 March 2016	291,886	10,000	301,886	306,601
	<hr/>	<hr/>	<hr/>	<hr/>
Historic cost	147,694	10,000	157,694	157,694
	<hr/>	<hr/>	<hr/>	<hr/>

All listed fixed asset investments are stated at market value.

The unlisted investment is held at cost and represents 100% of the share capital of Jamie's Computers Limited.

13 Debtors

	2016 £	2015 £
Trade debtors:		
Core rent	233,535	191,716
Service Charge	173,321	147,005
Less Provision for doubtful debts; rent	(99,054)	(81,146)
Less Provision for doubtful debts; service charge	(73,514)	(50,715)
Sales (net of provision for doubtful debts)	304,747	403,446
Grants receivable	47,762	35,923
Other debtors	2,533	2,775
Prepayments and accrued income	89,172	117,135
	<hr/>	<hr/>
	678,502	766,139
	<hr/>	<hr/>

All amounts shown under debtors fall due for payment within one year.

14 Creditors: Amounts falling due within one year

	2016 £	2015 £
Secured mortgage	43,387	42,572
Trade creditors	325,504	291,803
Grants in advance	31,164	149,066
Taxation and social security	87,434	96,809
Other creditors	267,173	255,555
Accruals and deferred income	56,720	34,053
Pension creditor	18,904	17,713
Deferred capital grant (Note 16)	7,949	7,949
	<hr/>	<hr/>
	838,235	895,520
	<hr/>	<hr/>

Included within Grants in advance is £1,851 (2015: £1,797) from the Big Lottery Grant fund relating to their support of the Society's Saints4Sport project.

Society of St James

Notes forming part of the financial statements
for the year ended 31 March 2016 (Continued)

15 Creditors: Amounts falling due after more than one year	2016 £	2015 £
Deferred capital grant (note 16)	289,441	297,391
Secured mortgages	785,554	828,749
Pension creditor	167,876	130,305
	<u>1,242,871</u>	<u>1,256,445</u>

In 2003 and 2006, the Society obtained mortgages now provided by Nationwide Building Society of £400,000 and £350,000 respectively, both of which are repayable at a variable rate of interest equal to the 6 month LIBOR rate +0.65%. In 2012, the Society obtained a mortgage of £186,900 and in 2015 a mortgage of £180,000; both are provided by Natwest bank plc and both are repayable at a variable rate of interest equal to the Bank of England Base Rate +3.0%. The mortgages are secured by a fixed charge over 6 of the Society's properties. The mortgages are repayable as follows:

	2016 £	2015 £
In less than one year	43,387	42,572
In more than one year but less than two years	44,740	43,421
In more than two years but less than five years	145,166	141,070
In more than five years	595,649	644,258
	<u>828,941</u>	<u>871,321</u>

The mortgage of £400,000 is repayable over 25 years from 25 February 2003.
The mortgage of £350,000 is repayable over 30 years from 13 November 2006.
The mortgage of £186,900 is repayable over 20 years from 10 August 2012.
The mortgage of £180,000 is repayable over 20 years from 17 July 2015.

16 Deferred Capital Grant	2016 £	2015 £
At 1 April	305,339	313,289
Grant received in year	-	-
Released to income in the year	(7,949)	(7,950)
	<u>297,390</u>	<u>305,339</u>
At 31 March	297,390	305,339
Amounts to be released within one year	7,949	7,949
Amounts to be released in more than one year	289,441	297,390
	<u>297,390</u>	<u>305,339</u>

Society of St James

Notes forming part of the financial statements for the year ended 31 March 2016 (*Continued*)

17 Financial Instruments

The company had the following Financial Instruments in place, all are classified as Basic Financial Instruments and do not therefore need to be held at fair value.

	2016 £	2015 £
Financial Assets		
Measured as undiscounted amount receivable		
Trade debtors including rent arrears (see note 13)	539,035	610,306
Financial Liabilities		
Recognised at original cost		
Trade creditors (see note 14)	325,504	291,803
Measured at amortised cost		
Secured mortgages (see note 15)	828,941	871,321
	<u>1,154,445</u>	<u>1,163,124</u>

Trade debtors include rent arrears of £234,288 (2015 206,860) all are recognised at their original cost due to their being payable on standard business terms. The impact of any rent repayment plans is not material and so is not disclosed in the accounts.

Trade creditors are recognised at cost as they are payable on standard business terms

The secured mortgages consist of four loans with 2 recognised major financial institutions as detailed in note 15. All loans are basic instruments as they refer to a single observable rate plus a fixed amount of interest. The specific dates and terms of the loans are described in note 15; in addition there is a financial covenant in each of the loans arranged with Nationwide Building Society that the Society's aggregate Operating Surplus must be not less than 110% of its aggregate Interest Payable

18 Commitments

Capital commitments

At 31 March 2016 and 2015 the company had no capital commitments.

19 Housing stock

The housing stock of the charitable company comprised the following types of property.

	2016	2015
Leased supported units	210	211
Owned supported units	121	121

20 Legislative provisions

Society of St James is a company limited by guarantee and is registered with the Charity Commission and the Homes and Communities Agency.

Society of St James

Notes forming part of the financial statements for the year ended 31 March 2016 (Continued)

21 Commitments under operating leases

The company has outstanding commitments for future minimum payments under non-cancellable operating leases as set out below:

	Land and buildings	
	2016	2015
	£	£
Operating leases which expire:		
Within one year	458,963	487,775
In two to five years	973,406	1,195,394
After five years	204,049	453,871

22 Pension Scheme

The Society of St James participates in a variety of pension schemes administered by the Pensions Trust (the Trustee) and pays contributions at a variety of rates. For members who joined any of the schemes prior to 1 July 2012 the Society paid contributions at the rate of 9% of salary and members paid contributions at the rate of 5% of salary during the accounting period. For members who have transferred into the Society's employment due to TUPE regulations, or who were employed before 1 July 2012, and opted to join one of the pension schemes prior to 30 November 2012, the Society paid contributions at the rate of 6% of salary and members paid contributions at the rate of 5% of salary during the accounting period. For members who joined the Society on or after 1 July 2012, or who opted to join the pension after 30 September 2012, or who were auto enrolled, both the Society and members paid contributions at the rate of 1% of salary during the accounting period.

All schemes, apart from the Growth Plan (the scheme), are defined contribution schemes. The company participates in the scheme, a multi-employer scheme which provides benefits to some 1,300 non-associated participating employers. The scheme is a defined benefit scheme in the UK. It is not possible for the company to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it accounts for the scheme as a defined contribution scheme.

The scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

The scheme is classified as a 'last-man standing arrangement'. Therefore the company is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from the scheme.

A full actuarial valuation for the scheme was carried out at 30 September 2011. This valuation showed assets of £780m, liabilities of £928m and a deficit of £148m. To eliminate this funding shortfall, the Trustee has asked the participating employers to pay additional contributions to the scheme as follows:

Deficit contributions required from the Society of St James from 1 April 2013 to 31 March 2023 were set at £16,828 per annum (payable monthly and increasing by 3% each on 1st April)

A full actuarial valuation for the scheme was carried out at 30 September 2014. This valuation showed assets of £793m, liabilities of £970m and a deficit of £177m. To eliminate this funding shortfall, the Trustee has asked the participating employers to pay additional contributions to the scheme as follows:

Deficit contributions required from the Society of St James from 1 April 2016 to 30 September 2025 are now £19,082 per annum (payable monthly and increasing by 3% each on 1st April)

Society of St James

Notes forming part of the financial statements for the year ended 31 March 2016 (Continued)

22 Pension Scheme (continued)

The recovery plan contributions are allocated to each participating employer in line with their estimated share of the Series 1 and Series 2 scheme liabilities.

Where the scheme is in deficit and where the company has agreed to a deficit funding arrangement the company recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate detailed in these disclosures. The unwinding of the discount rate is recognised as a finance cost.

Present Values of Provision

	2016 £	2015 £	2014 £
Present Value of Provision	186,780	148,018	155,110

Reconciliation of Opening and Closing Provisions

	2016 £	2015 £
Provision at start of period	148,018	155,110
Unwinding of the discount factor (interest expense)	2,420	4,130
Deficit contributions paid	(17,853)	(17,333)
Remeasurements - impact of any change in assumptions	(2,919)	6,111
Remeasurements - amendments to the contribution schedule	57,114	-
Provision at end of period	186,780	148,018

Income and Expenditure Impact

	2016 £	2015 £
Interest expense	2,420	4,130
Remeasurements – impact of any change in assumptions	(2,919)	6,111
Remeasurements - amendments to the contribution schedule	57,114	-

Assumptions

	2016 %	2015 %	2014 %
Rate of discount	2.07	1.74	2.82

The discount rates shown above are the equivalent single discount rates which, when used to discount the future recovery plan contributions due, would give the same results as using a full AA corporate bond yield curve to discount the same recovery plan contributions.

Society of St James

Notes forming part of the financial statements for the year ended 31 March 2016 (Continued)

22 Pension Scheme (continued)

The following schedule details the deficit contributions agreed between the company and the scheme at each year end period:

	2016 £	2015 £	2014 £
Year 1	19,082	17,853	17,333
Year 2	19,655	18,389	17,853
Year 3	20,244	18,940	18,389
Year 4	20,852	19,509	18,940
Year 5	21,477	20,094	19,509
Year 6	22,121	20,697	20,094
Year 7	22,785	21,318	20,697
Year 8	23,469	21,957	21,318
Year 9	24,173	-	21,957
Year 10	12,449	-	-

The company must recognise a liability measured as the present value of the contributions payable that arise from the deficit recovery agreement and the resulting expense in the income and expenditure account i.e. the unwinding of the discount rate as a finance cost in the period in which it arises.

It is these contributions that have been used to derive the company's balance sheet liability.

23 Reconciliation of operating surpluses to net cash inflow from operating activities

	2016 £	2015 £
Operating surplus	112,721	100,528
Amortisation of intangible fixed asset	6,500	6,500
Depreciation of tangible fixed assets	160,638	171,873
(Increase)/decrease in debtors	87,637	(3,965)
(Decrease)/increase in creditors	(28,479)	(61,833)
Net cash inflow from operating activities	339,017	213,103

24 Related party transactions

There have been no related party transactions recorded during the year with regards to the Trustees and Senior Staff as listed on page 1 of these accounts, other than remuneration paid to Key Management Personnel set out in note 5.

Society of St James

Notes forming part of the financial statements
for the year ended 31 March 2016 (Continued)

25 Transition to FRS 102

These financial statements are Society of St James's first financial statements that comply with FRS102. The date of transition was 1 April 2014.

The transition to FRS 102 has resulted in some changes in accounting policies compared to those used previously. The following table describes the differences between the amounts presented previously under UK GAAP and as restated to comply with FRS 102:

- in the Statement of Comprehensive Income and Statement of Financial Position for the year ended 31 March 2015 (ie. comparative information); and
- in the opening Statement of Financial Position (ie. at 1 April 2014, the date of transition).

Reconciliation of the Statement of Comprehensive Income for the year ended 31 March 2015

	2015 As previously reported £	Note 1 £	Note 2 £	Note 3 £	Note 4 £	2015 FRS 102 £
Turnover	8,068,930	7,949	(19,025)	-	-	8,057,854
Operating expenditure	(7,973,735)	-	-	5,211	11,198	(7,957,326)
Operating surplus	95,195	7,949	(19,025)	5,211	11,198	100,528
Surplus on disposal of fixed assets	-	-	-	-	-	-
Interest receivable	4,352	-	-	-	-	4,352
Interest payable	(16,722)	-	-	-	(4,130)	(20,852)
Surplus for the year	82,825	7,949	(19,025)	5,211	7,068	84,028

Society of St James

Notes forming part of the financial statements
for the year ended 31 March 2016 (Continued)

25 Transition to FRS 102 (continued)

Reconciliation of Statement of Financial Position as at 31 March 2015

	2015 As previously Reported	£	Note 5	£	Note 6	£	Note 7	£	Note 8	£	Note 9	£	2015 FRS 102
Tangible Fixed assets													
Housing properties (net of depreciation)	3,613,744	(645,872)	-	-	-	-	-	-	-	-	-	-	2,967,872
Social housing & Other grants	(1,750,314)	-	-	-	-	-	-	1,750,314	-	-	-	-	-
Intangible assets	78,000	-	-	-	-	-	-	-	-	-	-	-	78,000
Other tangible fixed assets	816,404	-	-	(388,540)	-	-	-	-	-	-	-	-	427,864
Investments	306,601	-	-	-	-	-	-	-	-	-	-	-	306,601
Current assets													
Debtors	766,139	-	-	-	-	-	-	-	-	-	-	-	766,139
Cash at bank and in hand	304,935	-	-	-	-	-	-	-	-	-	-	-	304,935
Creditors: amounts falling due within one year													
Net current assets	(888,734)	-	-	-	-	-	18,876	(7,949)	(17,713)	(895,520)			
	182,340	-	-	-	-	-	18,876	(7,949)	(17,713)	175,554			
Total assets less current liabilities	3,246,775	(645,872)	(388,540)	1,742,365									3,955,891
Creditors: amount falling due after more than one year													
	(1,311,604)	-	-	-	-	-	482,855	(297,391)	(130,305)	(1,256,445)			
Total net assets													
	1,935,171	(645,872)	(388,540)	501,731	1,444,974	(148,018)							2,699,446
Reserves													
Revenue reserve	1,786,264	(645,872)	(388,540)	501,731	1,444,974	(148,018)							2,550,539
Revaluation reserve	148,907	-	-	-	-	-	-	-	-	-	-	-	148,907
Total Capital and Reserves													
	1,935,171	(645,872)	(388,540)	501,731	1,444,974	(148,018)							2,699,446

Society of St James

Notes forming part of the financial statements
for the year ended 31 March 2016 (Continued)

25 Transition to FRS 102 (continued)

Summary of transition differences:

- Note 1 Turnover is increased through the amortisation of grant that was provided directly to the Society in order to acquire property
- Note 2 Turnover is decreased because deferred income that was amortised and related to the transfer of 125 Albert Road South, has been fully released to the revenue reserve
- Note 3 Operating Expenditure decreased in the period due to a net decrease in depreciation charge on property assets because of the revised valuations attributed to both housing property and the office premises.
- Note 4 Operating Expenditure decreased due to the revised treatment of pension deficit costs (£17,333 deficit contributions were removed from expenditure and charged against the provision recognising the Society future pension liability, partially offset by a £6,111 charge arising from re measurements of the PV of future contributions. An additional interest expense was incurred caused by the unwinding of the discount factor used to calculate the aforementioned PV
- Note 5 The value of Housing properties (net of depreciation) is reduced due to the depreciation charges being increased both historically and during the year due to the need to depreciate the value of the asset rather than the value of the asset net of grant (due to grant now being treated differently, see Note 8 below).
- Note 6 The value of other tangible fixed assets is reduced due to the revised treatment of the Society's office premises (125 Albert Road South) now being held at (and depreciated from) deemed cost at 1 April 2014 which is significantly lower than the previous book value of the premises
- Note 7 Creditors are reduced by £18,876 and £482,855 as this represented the former grant associated with 125 Albert Road South; this was held as deferred income due to the conversion into an office but is now written off due to the changed treatment of transferred Social Housing grant.
- Note 8 Social Housing and other grants are moved to either deferred capital grant, and recognised as a short or long term creditor, or to the revenue reserve. The treatment depends upon whether the grant was received by the Society directly or was transferred from another Register Provider.
- Note 9 Short term creditors are increased by the next year's pension liability; long term creditors are increased by the balance of the pension liability in respect of deficit contribution at the time.

Society of St James

Notes forming part of the financial statements
for the year ended 31 March 2016 (Continued)

25 Transition to FRS 102 (continued)

Reconciliation of Statement of Financial Position as at 1 April 2014

	2014 As previously reported £	Note 10	Note 11	Note 12	Note 13	2014 FRS 102 £
Tangible Fixed assets				£	£	
Housing properties (net of depreciation)	3,964,618	(601,922)	(671,752)	-	-	2,690,944
Social housing & Other grants	(2,271,070)	-	-	2,271,070	-	-
Intangible assets	84,500	-	-	-	-	84,500
Other tangible fixed assets	172,731	-	234,075	-	-	406,806
Investments	285,370	-	-	-	-	285,370
Current assets						
Debtors	762,174	-	-	-	-	762,174
Cash at bank and in hand	438,923	-	-	-	-	438,923
Creditors: amounts falling due within one year						
	(909,673)	-	-	(7,949)	(17,114)	(934,736)
Net current assets	291,424	-	-	(7,949)	(17,114)	266,361
Total assets less current liabilities	2,527,573	(601,922)	(437,677)	2,263,121	(17,114)	3,733,981
Creditors: amount falling due after more than one year						
	(696,458)	-	-	(305,340)	(137,996)	(1,139,794)
Total net assets	1,831,115	(601,922)	(437,677)	1,957,781	(155,110)	2,594,187
Reserves						
Revenue reserve	1,703,439	(601,922)	(437,677)	1,957,781	(155,110)	2,466,511
Revaluation reserve	127,676	-	-	-	-	127,676
Total Capital and Reserves	1,831,115	(601,922)	(437,677)	1,957,781	(155,110)	2,594,187

Society of St James

Notes forming part of the financial statements
for the year ended 31 March 2016 (Continued)

25 Transition to FRS 102 (continued)

Summary of transition differences:

Note 10 The value of Housing properties (net of depreciation) is reduced due to the depreciation charges being increased both historically and during the year due to the need to depreciate the value of the asset rather than the value of the asset net of grant (due to grant now being treated differently, see Note 12 below).

Note 11 The Society's head office property was held as a Housing Property in the original statements. This was transferred to other fixed assets in 2014/15. The deemed cost option has been taken in respect of this property. The deemed cost of the property (£225,000) plus the NBV of the solar panels (£9,075) has been recognised in other tangible fixed assets and a corresponding charge against reserves arises.

Note 12 Social Housing and other grants are moved to either deferred capital grant, and recognised as a short or long term creditor, or to the revenue reserve. The treatment depends upon whether the grant was received by the Society directly or was transferred from another Register Provider.

Note 13 Short term creditors are increased by the next year's pension liability; long term creditors are increased by the balance of the pension liability in respect of deficit contributions at the time.