

Mental Health Matters Report and Financial Statements For The Year Ended 31 March 2018

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Charity Registration No. 514829
Company Registration No. 1786914 (England and Wales)

MENTAL HEALTH MATTERS

LEGAL AND ADMINISTRATIVE INFORMATION

Trustees	B Howorth (Chair)
	L Eastman
	S Moorey
	D Corner
	A Britton
	N Hankinson
	D Brown
	S Baines
	V Jones
Charity number	514829
Company number	1786914
Registered office	Avalon House
	St Catherine's Court
	Sunderland Enterprise Park
	Sunderland
	SR5 3XJ
Auditor	RSM UK Audit LLP
	Chartered Accountants
	1 St. James' Gate
	Newcastle upon Tyne
	NE1 4AD
Bankers	Barclays Bank plc
	53 Fawcett Street
	Sunderland
	SR1 1RS

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Chair's Report

On behalf of the trustees of Mental Health Matters (MHM), I am pleased to present our annual report, together with the financial statements of the charity, for the year ended 31 March 2018.

I am delighted to report that it has been an incredibly busy and successful year for MHM. Our achievements have meant that we have been successful in securing services across many new geographical areas for MHM and more importantly have enabled many more people with mental health needs to access MHM and receive the support and help they need.

To March 2018 MHM:

- enabled 32,000 people to access our talking therapy services;
- received 77,500 calls to our 24/7/365 helpline services;
- had on average 456 people per month use our employment services
- supported over 900 clients of other (non MHM) IAPT services, helping the providers manage their waiting lists;
- delivered over 13,000 hours of bespoke housing support to people accessing our housing services; and
- provided 62 units of accommodation inclusive of registered, floating and dispersed units

We also:

- expanded our partnership approach delivering new services and developing relevant technology with 5 new NHS and 3rd sector partners
- expanded our geographical reach into new areas including: recovery services in Leicestershire & Rutland; a safe haven service in York; and 2 new services in Hertfordshire and Coventry & Warwickshire to support clients of IAPT services into employment (and we have secured 2 more similar services to begin in 2018/19);
- met or exceeded national IAPT recovery targets in Northumberland (Steps 2 to 4 provision), where we lead a 3 party partnership, and in Warrington; and
- commenced our helpline support for veterans, as part of Midlands & East Veterans Service collaboration.

And we:

- assessed, reflected upon and celebrated the successes achieved in the first year of our 3 year Strategic Plan and the achievement of our corporate objectives for the year to March 2018;
- built upon our increased profile and presence in both the mental health and social care service delivery markets;
- agreed our second year business plan commencing 2018 under our 3 year Strategic Plan to April 2020;
- further enhanced and embedded our co-produced "My Future Matters" wellbeing recovery plan throughout our social care services;
- carried out an open recruitment to our Board of Trustees, securing the expertise and skills of 2 additional trustees who were appointed in April 2018;
- continued to raise the profile of MHM through social media;
- enhanced our comprehensive learning programme which is delivered to those who access our services, staff and Trustees and offered a range of bespoke training/learning packages to organisations across the country;
- continued to focus on measuring our impact, not only on individuals accessing our services but also in the wider communities with which they engage. (It is anticipated that early in 2018/19 we will publish our first "impact" report); and
- made preparation to refresh our branding in the forthcoming year.

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In April last year, the Trustees and senior management team made our farewells to Len Wilson who after serving as a Trustee for 18 years and Chair for 7 stepped down from his role with MHM. Sadly in November 2017 Len passed away. MHM recognizes and is grateful for the massive commitment and contribution Len gave to MHM.

Throughout the year, the Board of Trustees and management team have continued our focus on evidencing MHM as a people first organisation that is both an innovative market leader and market maker within the increasingly challenging environmental and financial constraints of the current health and social care system.

Our solution-based, inclusive and open approach to Commissioning requirements increasingly makes us a "go to" organisation for the delivery of effective and quality services, with many Local Authorities, NHS and 3rd sector organisations actively seeking MHM as their partner of choice. Our "sandpit" days (where we work closely with other agencies in the strategic, innovative and client centred design of service pathways) have become increasingly popular, with a number of NHS Mental Health Trusts and 3rd sector organisations now benefitting from our collaborations. Our ability to provide tailored solutions (both to social care organisations and those offering talking therapies services) remained in high demand throughout the year and into 2018/19.

During the course of the year we have also developed trusted partnerships with 2 organisations that specialise in developing accessible digital solutions with a vision to enhance an individual's ability to live independently aided by the use of technology. It is anticipated that during the year to March 2019 we will embed this technology across our range of services.

As a learning organisation a priority of ours is to seek, listen and act on feedback we receive from the people who use our services and our employees who make the organization what it is. We also seek the views of our commissioners and those agencies that work alongside us in supporting and referring people to our services. This feedback is regularly reviewed by the Trustees and management team to ensure that the services we are providing are meeting the needs of, and are of value to, all our stakeholders, and to demonstrate areas where we can continue to improve and develop.

Below are samples of the feedback we have received during the year to March 2018. To mention just a few:

A commissioner giving feedback said:

It is a real pleasure to be in partnership with MHM, they bring a breadth and depth of knowledge that is invaluable to our team. The team are always professional and supportive to work with.

And responses to our most recent client survey included:

I think MHM is amazing. It has taught me lessons, it has been a life saver for me at times of need.

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While our staff feedback when surveyed included:

- Feeling engaged and motivated to deliver the very best service to clients
- MHM's delivery of a high quality service to its clients
- The leadership team having the skills required to make MHM successful
- MHM valuing the contribution of its employees
- Employees trusting and respecting their line managers and the leadership team
- The high standards expected of all employees
- Our employees being: not afraid to openly express their ideas; familiar with the policies and procedures that affect them; clear about their objectives; and willing to put in extra effort to help the organization.

In 2017, our Investors in People accreditation was renewed and the Trustees and management team were delighted to read that the assessor found:

MHM's values are well embedded into everything that we do and employees have an 'unconscious competence' about MHM's values making them 'second nature' within their role.

The vast majority of MHM's employees were 'on fire', engaged, enthusiastic, committed and instinctively place the client at the heart of their work. MHM employees are very capable people and are driven to achieve outcomes for clients.

There were so many positives and she could tell that the organisation has grown significantly and for the better since her last visit.

MHM had 'absolutely' met the new standard and that her week with MHM was a 'fantastic' experience.

On all measures this has been a most successful year for MHM, and I remain proud that it continues to live by and implement its vision and values of:

- Respect for the dignity of the individual
- Supporting individuals to live meaningful lives in their communities
- Working in partnership for the benefit of those who need our services
- Belief in recovery
- Health equality
- Challenging stigma
- And being a caring employer

The need for good and innovative mental health provision is greater than ever, and MHM, with its excellent leadership team, staff and Trustees, is well placed to provide that.

As always, none of the successes seen this year could have been achieved without the continued dedication and hard work of MHM's Trustees and staff team, and I thank everyone in the organisation for their continued support and for maintaining the focus on the people who use our services.

B Howarth
Chair

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The financial statements have been prepared in accordance with the accounting policies set out in note 1 to the financial statements and comply with the charity's governing document, the Companies Act 2006 and "Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102)" (as amended for accounting periods commencing from 1 January 2016).

Objectives and activities

Public Benefit

Mental Health Matters (MHM) exists for the benefit of the public through the provision of its services to any member of the public who has a mental or physical health need that impacts on their wellbeing. All of the services provided by MHM are within the aims and objectives as set out in the Memorandum and Articles of Association.

Throughout the Achievements and Performance section of this report (pages 7 - 11), we have identified and evaluated the benefits that individuals gain from accessing our services and maximising independence through self-directed support. This is particularly reflected in our psychological therapy services and community based services focusing on positive outcomes for individuals.

In shaping our objectives for the year and planning our activities, the trustees have considered the Charity Commission's guidance on public benefit, including the guidance 'Public benefit: running a charity (PB2)'.

As an organisation we also provide a range of accessible literature and online resources to educate, inform and guide people with mental and physical health needs, their carers and networks, and the wider community.

Objectives

The primary objective of the charity is to act for the benefit of the public, to promote the wellbeing of persons who are experiencing mental or physical health problems or illnesses, however those problems or illnesses have arisen, and their families and carers, both in the UK and overseas.

The charity's objectives are:

Education

- to enhance public awareness of, and attitudes towards, mental health and wellbeing;
- to promote a more positive image and reduce the stigma of mental illness; and
- to provide information and education resources for a range of groups, including people with mental health needs, formal and informal carers, professionals and the public.

Support

- to promote self-directed support, safety planning and the achievement of personal outcomes; and
- to promote the development of effective groups and to foster the skills of members and their networks.

Innovation

- to demonstrate innovation by redesigning existing service provision, and modernising and making our services fit for the needs of the people who want to use them; and
- to grow through partnership work and innovation to create a niche in the market and also respond to future financial contracting arrangements and grow into new markets.

The vision of MHM is that everyone should receive the personalised services and support they need.

Our mission is to help people achieve good mental health and physical wellbeing and live life to the full.

MHM believes that individuals gain strength and influence by sharing experience and knowledge, and seeks to provide networks to promote this.

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MHM achieves its objects by:

- empowering our service users to achieve their goals and aspirations through excellent services delivered in partnership with them;
- maintaining a financially healthy and high performing organisation;
- instilling pride and commitment whilst bringing out the best in our employees;
- growing our impact through healthy and collaborative networks and partnerships; and
- maintaining strong leadership and effective governance.

Structure, governance and management

Governance and Trustees

MHM is:

- an independent, national, non-political, non-religious, non-governmental organisation registered as a charitable legal entity in England and Wales in 1984;
- constituted as a charity, registered with the Charity Commission under charity number 514829; and
- registered as a company limited by guarantee under number 1786914, governed by its Memorandum and Articles of Association dated 7 November 2005.

The trustees, who are also the directors for the purpose of company law, and who served during the year were:

B Howorth (Chair)

L Eastman

S Moorey

D Corner

A Britton

N Hankinson

D Brown

S Baines

(Appointed 23 April 2018)

V Jones

(Appointed 23 April 2018)

L Wilson

(Resigned 19 April 2017)

Trustee Induction and Training

MHM's board of trustees is made up of individuals with the skills, competencies and experience required to govern the organisation. The trustees keep these requirements under review in order to ensure that the organisation is effectively governed. Recruitment to the charity's board of trustees complies with the process detailed in its Articles of Association.

Throughout the year to March 2018 MHM had 7 serving trustees.

During 2017/18 two new trustees have been recruited, bringing complementary skills and expertise to the board with effect from April 2018.

In January of each year the board of trustees, chief executive officer (CEO) and senior management team meet with their charitable and company law legal advisor. The purpose of the meeting is to refresh their knowledge of the respective duties of trustees and employees, and also to update them on any key amendments in charity law and Charity Commission expectations with a view to potential impact on the charity's governing framework.

The trustees have access to a trustee-only section of the MHM intranet and to a range of mandatory e-learning modules for trustees covering a range of relevant content including organisation induction, mental health awareness, safeguarding, information governance, and health & safety.

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Organisation

The board of trustees meets quarterly during the year. At the January meeting the agenda is focused on preparing and planning for the forthcoming financial year; the business plan, budget, establishment plans, schedule of delegation and terms of reference for the board of trustees' one standing sub-committee (audit) and the senior management team are reviewed and agreed.

The audit committee also meets quarterly and seeks assurance over the organisation's financial and governance systems, including the annual financial auditing process. The findings from the organisation's annual cycle of internal quality and assurance systems auditing are reported to this committee.

A chief executive officer is appointed by the trustees to manage the day-to-day operations of the charity. MHM board of trustees has systems in place for the delegation of authority to the chief executive officer and the management team, including a schedule of delegation which is reviewed annually.

Related parties and co-operation with other organisations

None of the trustees receives remuneration or other benefit from their work with the charity.

The charity works with Tees, Esk and Wear Valleys NHS Foundation Trust and NHS County Durham and Darlington Community Health Services in a joint arrangement to deliver mental health services in County Durham and Darlington in which any surpluses or losses are recognised equally between the parties.

The charity also works in a joint arrangement with Sunderland Counselling Service and Efficacy Limited to provide mental health services to Northumberland Clinical Commissioning Group. MHM is the principal contractor, with the other parties as subcontractors.

During 2017/18 MHM continued to work with many NHS and third sector organisations, and entered into contracts with several new commissioners in both sectors. Our commissioners are listed on page 11.

MHM has a wholly owned trading company, Moorpark Limited. This subsidiary ceased its trading activities in June 2013, and is currently dormant.

All trustees give their time freely and no trustee received remuneration in the year. Details of trustees' expenses and related party transactions are disclosed in notes 10 and 24 to the accounts.

Fundraising

During the year MHM has not undertaken proactive fundraising activities, and has not engaged a professional fundraiser or commercial participator to assist with such activities. Therefore, neither the charity nor any person acting on its behalf was subject to an undertaking to be bound by any voluntary scheme for regulating fundraising, or any voluntary standard of fundraising, in respect of activities on behalf of MHM. Donations received during the year totalled £10,450 and were initiated by the donors rather than the charity.

Pay policy for key management personnel

The trustees consider that key management is comprised of the senior management team who are in charge of directing and controlling, running and operating the charity on a day to day basis.

The pay of the senior management team is reviewed annually and normally increased in accordance with average earnings. In view of the nature of the charity, the trustees benchmark against pay levels in other organisations of a similar size run on a voluntary basis.

Equality

MHM incorporates equal opportunities throughout its policies. These policies ensure that, in accordance with both current legislation and best practice, no service user, person employed or job applicant will be treated unfavourably by reason of their 'protected characteristic' as set out in the Equality Act 2010.

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Disabled employees

MHM's policy in relation to recruitment of disabled persons is to guarantee to interview anyone with a disability whose application for a post meets the minimum criteria for the post, and to always put in place any reasonable adjustments to ensure that applicants are treated fairly and safely within both the recruitment process and the working environment. Where employees become disabled during their employment, MHM will engage in consultation with them to determine whether any reasonable adjustments can be made and/or to consider any alternative roles available. This approach has been applied consistently throughout 2017/18.

As an accredited Investor in People, MHM believes in recognising people's skills and knowledge, and in developing its employees through learning and development. All employees have an agreed personal development plan to ensure that their learning and development is appropriate to both their role and their personal circumstances.

Employee engagement

During the course of 2017/18 MHM has further developed its staff intranet to be the source of all information regarding policy, procedure, news and other matters of concern to employees.

Staff are consulted by their managers on matters directly affecting their employment, and are consulted on an annual basis through an employee survey that enables them to give their views anonymously on matters ranging from leadership to rewards and benefits, in order to inform organisational development.

MHM creates an annual service innovation and performance plan for the organisation that demonstrates how strategic objectives will be achieved, helps employees understand how their role and their team's role contributes, and leads to employees taking ownership of the personal contribution they make towards the charity's performance. This process, along with intranet updates and the reporting of key issues through regular manager meetings, service team meetings, and staff 1-1 meetings, ensures that a common awareness of financial and economic factors affecting performance is achieved.

Strategic Report

2017/2018 was the first year of a new three year strategic plan for MHM.

In implementing the objectives of the strategic plan, MHM continued to deliver high quality services including: primary care psychological (talking) therapies; generic and mental-health-specific housing provision (from floating support through to registered care); day recovery and employment services (including for people with mild to moderate anxiety disorders and/or depression, long term conditions, dual diagnoses and addictions); safe haven provision for people at risk of experiencing a mental health crisis; 365/24/7 telephone emotional support and tele-therapy services, and advocacy, user voice, advice and information services (including IMHA and IMCA).

MHM continued to invest time and resource to retain and acquire new services across England, building a strong brand, alongside strategic partners, for delivering high quality health and social care services. This has included responding to the changing needs of people in our communities by delivering evidence-based services, building trusted relationships with our commissioners, and learning from service users about how best to deliver personalised quality services.

Achievements and performance

The year to March 2018 has seen continued challenges in health and social care as commissioners seek to maximise value for money from stretched budgets. Against this backdrop, MHM continues to be proud of the new services won, and of the extension or renewal of existing services which enabled continued delivery of high quality services focused on service users' recovery.

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There have been many successes during the year, with contracts won to deliver new services, some as sole provider and some in innovative arrangements with new partners, and with many existing contracts extended. Particular success has come from devising bespoke delivery models suited to individual commissioners' requirements, from bidding for funds to deliver services based on a combination of MHM's areas of specialism, and from seeking funding to deliver services in new markets.

MHM's focus for 2017/18 continued to be:

- developing services which focus on whole person needs;
- continuing to seek solutions for commissioners utilising our health and social interventions and approaches;
- alongside partners, reviewing and strengthening delivery models to ensure performance is at a high level;
- growing organically and strategically, to strive for greater market share and positive support for service users;
- maximising the use of innovative 24/7 telephony and tele-therapy services; and
- raising the profile of MHM locally, regionally and nationally.

During the year to March 2018:

- over 32,000 people accessed our talking therapy services;
- our services met or exceeded national IAPT recovery targets in Northumberland (Steps 2 to 4 provision) where we lead a 3 party partnership, in Warrington as a sole provider (Steps 2 to 4), and in South East Staffordshire and North Staffordshire (Steps 2 & 3 provision) where we are in partnership with Midlands Partnership NHS Foundation Trust (MPFT);
- we supported over 900 clients of other IAPT services, to help the providers manage their waiting lists;
- our 365/24/7 helpline service received over 77,500 calls;
- our helpline support for veterans commenced, as part of Midlands & East Veterans Service;
- an average of 456 people used our employment services each month, we opened up 2 new services to support employment for clients of IAPT services, and were awarded 2 more to begin in 2018/19;
- we provided 62 units of accommodation inclusive of registered, floating and dispersed units, and secured a contract to deliver 10 units in Middlesbrough for 2018/19;
- we delivered over 13,000 hours of bespoke housing support to people accessing our housing services;
- we expanded our geographical reach into new areas including a new three year contract to deliver recovery services in Leicestershire & Rutland; and a safe haven service in York; and
- our Easington employment service and our helpline were highly commended at the Positive Practice in Mental Health Awards 2017.

Central Services in 2017/18

MHM central services provide a central infrastructure and governance framework for the organisation. These services have an extensive portfolio comprising of quality and compliance, finance, human resources, learning and development, policy and procedural review, health and safety, information technology, information governance and business development.

During the year to March 2018 our central team:

- developed new branding for MHM and its sub brands (Talking Matters, Community Matters and Support Matters) to retain our recognisable image but also to reflect the growth of the organisation and the breadth of services currently being delivered, and to ensure clarity of communication with clients, commissioners and other stakeholders;
- undertook development work to relaunch MHM's internet site in summer 2018;
- conducted a number of quality and assurance audits across the business including areas of service delivery and infrastructure to measure and improve performance (individual client risk assessment, appraisal, safety & risk assessment protocols);
- delivered training to 250 delegates from private and public sector organisations in Mental Health Awareness, Managing Mental Health in the Workplace, wellbeing, Suicide Awareness, Working with People with Mental Health Needs, and the ASIST (Applied Suicide Intervention Skills Training) programme;

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- enhanced the training opportunities available to employees via the e-learning platform, with new and contemporary modules developed and implemented across MHM, including a corporate induction module and a suicide prevention module;
- expanded the e-learning offer to clients, who were particularly interested in modules such as Introduction to Health and Safety, Stress Awareness, Safeguarding for Volunteers, and Keeping Yourself Safe;
- continued the refresh of all MHM policy and procedure, setting clear standards and ensuring clarity and consistency of key messages to all staff;
- successfully retained Contractors Health and Safety Accreditation;
- successfully submitted MHM's annual NHS Information Governance Toolkit Assessment;
- conducted Social Care Client Satisfaction Survey and Exit Surveys to collate feedback from clients as they move on, both of which enable MHM to enhance service provision;
- achieved the "developed" level of the Investors in People standard;
- conducted an annual employee satisfaction survey with a 53% response rate to enhance engagement with MHM employees;
- undertook a review of staff benefits and rewards, including the introduction of an Employee of the Season scheme to recognise and share the great work of our staff;
- continued our commitment to "grow our own" with permanent appointments of two apprentices into developing roles within central office; and
- reviewed roles, structures and functions within central office, identifying further central posts in order to support our continued growth.

Community Matters - Employment Services in 2017/18

We worked in partnership with clinical commissioning groups, NHS trusts, local authorities and voluntary sector organisations to deliver our employment services.

Longstanding commissioners have demonstrated their continued confidence in MHM's employment services by awarding contract extensions, and new commissioners have recognised the value of MHM's experience of both employment services and IAPT in helping them deliver new services to support clients with mild to moderate anxiety and/or depression with seamless, personalised employment support to help them remain in, return to or find work.

The services are well used, delivering positive outcomes in working with service users. Outcomes include people moving from employment benefit, people maintaining current employment, or taking up new or alternative paid employment, and people undertaking training or voluntary work. In addition MHM has supported employers with retention and to have a greater understanding of mental health issues in the workplace.

Community Matters - Housing Services in 2017/18

The aim continues to be to ensure that wherever possible those accessing our housing services live as independently as they are able to, in the community local to them. During the year to March 2018, we continued to work with service users to support their recovery, work actively to manage void units effectively so that new referrals are able to take advantage of the support available, and develop partnerships with the aim of improving the quality of properties available.

We were successful in securing an accommodation and support service in Middlesbrough to begin in 2018/19, commissioned by the local authority to support individuals with mental health needs to continue to live independently.

Our registered service was assessed as good provision by the Care Quality Commission during 2017/18, and MHM aspires to achieve an outstanding rating at the next assessment.

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Community Matters - Community Support and Personalised Services in 2017/18

In 2017/18 the 24/7 emotional support and tele-therapy helpline, accredited by the Helpline Partnership: retained existing contracts and secured new contracts; launched a single point of access and support line as part of Midlands & East Veterans Service; and provided 24/7 wrap-around support for clients of most of MHM's talking therapies and recovery services.

We also continued to offer activity based and peer support services, both during the day and in the evening. A key feature of these services continues to be peer support groups, which break off from the original service, whose members continue to benefit from shared experience and supportive relationships.

In partnership with Tees, Esk and Wear Valley NHS Foundation Trust, we launched our safe haven provision in York. This is an acute distress unit for people at risk of experiencing a mental health crisis, which aims to reduce the demands on A&E and other emergency services, whilst providing a safe, supportive environment for those accessing the service.

Our Pathways group of services continued to offer excellent provision in the areas of advice, advocacy and user voice.

Delivering 'personalised' services in parts of the North East has been challenging for MHM, with funding tending to be insufficient to fund a sustainable service and enable our staff team to have a reasonable level of job security. Our ongoing commitment to deliver high quality service provision in all of our services determined that regrettably where funding may prevent MHM delivering safe, sound and effective services then we would step away from these contracts.

Talking Matters - Talking Therapies Services in 2017/18

Throughout 2017/18 MHM continued to be a large national provider of IAPT services, delivered both in partnership with NHS foundation trusts and on a sole basis:

- Talking Matters Northumberland: MHM is the prime contractor, working with sub-contractors Sunderland Counselling Service (providing step 2 therapy and counselling) and Efficacy (providing step 4 therapy and clinical leadership). The service is in its third year of delivery, is currently achieving both the national recovery target of 50% and all national waiting time standards, and was recognised as a high performing service by the NHS Intensive Support Team.
- Talking Matters Warrington (previously known as Warrington Primary Care Psychological Service): During 2017/18 MHM, as sole provider, delivered therapy at steps 2-4 and clinical governance. The service achieved the national recovery target, increased its involvement in the national programme of IAPT expansion into long term conditions and medically unexplained symptoms, planned for the Department of Work and Pensions' forthcoming employment initiative within IAPT, and was selected for participation in NHS England's Digitally Enabled Therapies pilot. Warrington Clinical Commissioning Group demonstrated its confidence in MHM by working with the service to sub-contract additional provision from the wider IAPT pathway from April 2018.
- South East Staffordshire Wellbeing Matters: This service is in its fourth year of delivery. MHM is a sub-contractor to MPFT and provides step 2 therapy. MHM successfully facilitated the introduction of the Minddistrict suite of ehealth products to the service during the year.
- North Staffordshire Wellbeing Service: This contract has been extended until March 2019. MHM is a sub-contractor to MPFT and provides step 2 therapy, consistently exceeding national recovery and waiting time targets.
- Durham and Darlington Talking Changes: This contract has been extended until March 2019. MHM is a sub-contractor within a joint venture with Tees, Esk and Wear Valleys NHS Trust and County Durham & Darlington NHS Foundation Trust and provides step 2 therapy.

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- Talk Together Bromley: This service launched in April 2017 and MHM fulfilled its role as sub-contractor to Bromley Healthcare CIC throughout 2017/18. MHM provided step 2 therapists and employment advisers.
- Market making: During 2017/18 MHM expanded its successful waiting list market making initiative to provide step 2/3 telephone therapy to clients of providers with long waiting lists. This initiative will continue in 2018/19.

Commissioners, funders and customers

MHM gratefully acknowledges the funding provided for its 2017/18 services by the following commissioners, organisations and customers:

2gether NHS Foundation Trust
Alzheimers Dementia Support
Bromley Healthcare CIC
Coventry & Warwickshire Partnership NHS Trust
Durham County Council
Department for Work and Pensions
Essex Partnership University NHS Foundation Trust
Gateshead Council
Health Education England
Hertfordshire Partnership Foundation Trust
Karbon Homes
Kent County Council
Leicestershire County Council
Making Space
Mental Health Concern
Middlesbrough Council
Midlands Partnership NHS Foundation Trust (formerly South Staffordshire & Shropshire NHS Foundation Trust)
Newcastle City Council
NHS Coventry & Rugby CCG
NHS Durham Dales, Easington and Sedgefield CCG
NHS Hammersmith & Fulham CCG
NHS Newcastle Gateshead CCG
NHS Northumberland CCG
NHS South Tees CCG
NHS South Tyneside CCG
NHS Sunderland CCG
NHS Warrington CCG
North Tyneside Council
Orbit Group
Penderels Trust
People Potential Possibilities
Plymouth Community Healthcare CIC
Redcar & Cleveland Council
Richmond Fellowship
Rutland County Council
South Tyneside Council
Tees Esk & Wear Valley NHS Foundation Trust
The Salvation Army
VoiceAbility
Warwickshire County Council

Financial Review

MHM principal funding sources are shown in note 3 to the financial statements. The increase in incoming resources for the year is primarily due to the inclusion of additional funding for IAPT expansion by Talking Matters Warrington, from the CCG for Talking Matters Northumberland, and for new Talking Matters and Community Matters services opened during the year.

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As noted above, in the delivery of some of its services MHM works in partnership with both voluntary and statutory sector agencies. In some services MHM acts as the prime contractor and in others it is a sub-contractor. Some of the sub-contract arrangements are delivered via a joint contractual arrangement as outlined in note 24.

The surplus generated for the year includes the recognition of £100k net surplus for Talking Matters Warrington, £75k for Durham and Darlington Talking Changes, restricted for use in future years, and £157k for Talking Matters Northumberland, designated for use in future years by the transfers from unrestricted funds. Aside from those amounts, the surplus is due to expansion of contracts, successful market making, particularly for talking therapies and helpline, and rigorous control of costs.

There were no fundraising activities or costs. Governance costs amount to 0.6% of expenditure.

All outstanding debts are considered recoverable, with no potential bad debts being identified at 31 March 2018.

The cash position has remained healthy throughout the year. The increase against the prior year is due to the expansion of contracts and successful market making described above. Cash balances will continue to be monitored to ensure that they are adequate to support the charity's aims and objectives.

The trustees have taken action to reduce the pension scheme exit debt by undertaking an exercise to transfer some funds from defined benefit to defined contribution section of the scheme, a move which also improves the likely outcomes for the members concerned.

The major factors likely to affect the financial position of the charity in 2018/19 and beyond continue to be MHM's ability to:

- design contemporary talking therapies and social care services that meet the requirements of commissioners and other customers; and
- develop a more diverse portfolio of funding in order to mitigate the impact of contracts expiring.

The trustees are confident of MHM's ability to achieve these goals, supported by continued investment in robust staffing and infrastructure.

Investment Powers and Policy

The trustees, having regards to the liquidity requirements of delivering the current services, and to the reserve policy, have operated a policy of keeping available funds in interest bearing accounts, and seek to diversify risk whilst achieving the highest possible return from investing in appropriate institutions. The investment fund held on deposit achieved an average of 0.26% during the year

Reserves Policy and Going Concern

MHM needs free reserves for:

- working capital - in order to meet liabilities as they fall due, it is necessary to hold free reserves so that payments can be made in advance of the receipt of income; and
- development activity - ongoing investment in facilities, services and business processes is necessary to ensure that MHM is compliant with regulatory requirements, aspires to develop and embed best practice in its ways of working, and is able to respond to such new business opportunities as are identified.

The trustees believe that the desirable level of free reserves required is two months of projected expenditure for the forthcoming year in order to accommodate prevailing working capital requirements, plus an additional allowance agreed annually in order to be in a position to fund development activity as the need arises, including investment in facilities, and adoption of best practice systems and procedures within the fields of health and social care.

MENTAL HEALTH MATTERS

TRUSTEES REPORT

FOR THE YEAR ENDED 31 MARCH 2018

Compliance with this reserves policy will be monitored on an ongoing basis by the audit committee, which will report any non-compliance to the board of trustees in order that any corrective action required can be agreed. The reserves policy will be reviewed annually by trustees, and adapted if necessary to ensure that it remains appropriate for the economic environment, the health and social care sectors, and other relevant factors affecting MHM's activities.

Total funds held in reserve at 31 March 2018 amounted to £2,641,165.

This included unrestricted funds of £2,344,714 (see note 21). From these unrestricted funds, the trustees have made the following designations:

- an amount of £496,044 to meet projected additional costs should the trustees decide that MHM should leave the relevant pension scheme, which the trustees do not currently intend to do; and
- an amount of £232,507 to meet anticipated costs of ongoing contracts.

In addition total funds included a restricted amount of £296,451 (see note 21).

The working capital requirement for two months based on the budgeted expenditure to 31 March 2019 is £2,232,539. The level of unrestricted reserves at 31 March 2018 after deducting designated funds, investments and fixed assets is £1,178,864 (2017: £664,420).

Having utilised reserves from 2014-2017, the trustees aimed to increase reserves in accordance with this policy over the period of the 2017-2020 strategic plan, and are pleased to note the progress made in 2017/18.

The trustees believe that the level of reserves available for 2018/19 and 2019/20 is sufficient, and the net current assets and cash flow of the charity are at such a level, that the charity is able to operate for the foreseeable future, and that the going concern basis is appropriate for these financial statements.

Principal Risks and Uncertainties

The principal risk and uncertainties facing the charity remain:

- The current commissioning environment – the commissioning environment for health services is increasingly competitive, and there continue to be huge financial pressures and de-commissions of social care;
- Damage to MHM's reputation – a serious incident in one of our services could have a damaging impact on our reputation and profile;
- Inability to recruit and retain trained and skilled staff – matching qualified and competent workforce to service demand has historically led to intense competition for scarce professional staff. This has an impact on primary care psychological therapy services across the country. Within social care, demand by commissioners for different products and services means that the skills of our workforce must be kept under review and re-aligned where necessary;
- Inability to maintain existing partnerships and failure to develop new partnerships – MHM has a number of valued partnerships, and a range of different partnership agreements, which must be flexible to deal with changing circumstances in the health and social care sectors;
- Significant loss or failure to gain business – MHM continually evaluates its success rate in retaining existing services and winning new services, and seeks to improve its service models and offers; and
- Financial pressures and impact of cuts in statutory sectors – MHM continues to experience the impact of spending cuts and efficiency targets. Services must be delivered with increasing efficiency in order to meet commissioners' expectations.

MENTAL HEALTH MATTERS

TRUSTEES REPORT

FOR THE YEAR ENDED 31 MARCH 2018

Risk Management

The organisation has a risk management strategy which consists of continuous review of the risks the charity may face and the systems and procedures to minimise any potential impact on the charity should those risks materialise.

MHM has reviewed the risks to achievement of its strategic objectives during the year to ensure they are fully integrated into the risk assessment, management and mitigation procedures.

An audit committee comprising of trustees meets four times per year, and receives reports from senior management. The committee's remit is to provide assurance to the board that there are effective systems in place for governance, risk management, performance and compliance.

In addition, specific areas of risk to the charity are considered by the full board of trustees, including consideration of the issues related to identification, mitigation and elimination of the risk.

Plans for future periods

MHM established a three year strategic plan to take effect from 2017/18, in consultation with staff, whose involvement strengthened further the link between organisational goals and the contributions made by individuals.

The trustees intend to capitalise on MHM's proven models of successful delivery of talking therapies and social care services, replicating them where possible, and to diversify sources of funding to limit reliance on funding of particular contracts.

In the three years from 2017/18 MHM's objectives to widen its impact are:

- to retain and secure block talking therapies services;
- to deliver talking therapies market making initiatives;
- to expand the multi-channel helpline and create flexible models;
- to expand and diversify community services; and
- to deliver learning disability services.

To underpin these objectives MHM has developed comprehensive marketing and customer service strategies, and will continue to apply its robust governance framework, which encompasses quality & compliance, workforce, finance, and risk.

The report was approved by the Board of Trustees.



B Howorth

Dated: 23/7/18

MENTAL HEALTH MATTERS

STATEMENT OF TRUSTEES RESPONSIBILITIES

FOR THE YEAR ENDED 31 MARCH 2018

The trustees, who are also the directors of Mental Health Matters for the purpose of charity law, are responsible for preparing the Trustees Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Charity law requires the trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charitable company and of the incoming resources and application of resources, including the income and expenditure, of the charitable company for that year.

In preparing these financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in operation.

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

The trustees are responsible for the maintenance and integrity of the corporate and financial information included on the charitable company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MENTAL HEALTH MATTERS

Opinion on financial statements

We have audited the financial statements of Mental Health Matters (the 'charitable company') for the year ended 31 March 2018 which comprise the Statement of Financial Activities, the Balance Sheet, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 March 2018 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; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

The trustees are responsible for the other information. The other information comprises the information included in the Trustees' Report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

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

- the information given in the Trustees' Report and the incorporated Strategic Report prepared for the purpose of company law for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Trustees' Report and the incorporated Strategic Report have been prepared in accordance with applicable legal requirements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MENTAL HEALTH MATTERS (CONTINUED)

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the Trustees' Report and the incorporated Strategic Report.

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

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

Responsibilities of trustees

As explained more fully in the Statement of Trustees' Responsibilities set out on page 15, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the charitable company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Use of our report

This report is made solely to the charitable company'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 charitable company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

L Robson

Lucy Robson (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
1 St. James' Gate
Newcastle upon Tyne
NE1 4AD
16/08/18

MENTAL HEALTH MATTERS

STATEMENT OF FINANCIAL ACTIVITIES INCLUDING INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2018

	Notes	Unrestricted funds £	Restricted funds £	Total 2018 £	Total 2017 £
<u>Income and endowments from:</u>					
Donations and legacies		10,450	-	10,450	4,044
Charitable activities	3	11,912,565	667,370	12,579,935	10,367,352
Investments	4	1,269	-	1,269	4,885
Other income		29,857	-	29,857	4,662
Total income		11,954,141	667,370	12,621,511	10,380,943
<u>Expenditure on:</u>					
Charitable activities	5	11,353,229	561,181	11,914,410	10,853,583
Net movement in funds		600,912	106,189	707,101	(472,640)
Total funds brought forward		1,743,802	190,262	1,934,064	2,406,704
Total funds carried forward		2,344,714	296,451	2,641,165	1,934,064

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

All income and expenditure derive from continuing activities.

The statement of financial activities also complies with the requirements for an income and expenditure account under the Companies Act 2006.

MENTAL HEALTH MATTERS**BALANCE SHEET****AS AT 31 MARCH 2018**

	Notes	2018 £	£	2017 £	£
Fixed assets					
Intangible assets	11		177,977		303,014
Tangible assets	12		259,321		283,367
Investments	13		1		1
			<u>437,299</u>		<u>586,382</u>
Current assets					
Assets held for sale		-		88,221	
Debtors	14	2,194,079		1,537,822	
Cash at bank and in hand		<u>2,194,147</u>		<u>1,598,658</u>	
		4,388,226		3,224,701	
Creditors: amounts falling due within one year	15	<u>(1,902,908)</u>		<u>(1,553,228)</u>	
Net current assets			<u>2,485,318</u>		<u>1,671,473</u>
Total assets less current liabilities			<u>2,922,617</u>		<u>2,257,855</u>
Creditors: amounts falling due after more than one year	17		(281,452)		(323,791)
Net assets			<u><u>2,641,165</u></u>		<u><u>1,934,064</u></u>
Income funds					
Restricted funds	21		296,451		190,262
<u>Unrestricted funds</u>					
General funds		1,616,163		1,250,802	
Designated funds		<u>728,551</u>		<u>493,000</u>	
			<u>2,344,714</u>		<u>1,743,802</u>
			<u><u>2,641,165</u></u>		<u><u>1,934,064</u></u>

The financial statements were approved and authorised for issue by the trustees on 23/7/18 and signed on its behalf by:



B Howorth
Trustee

MENTAL HEALTH MATTERS

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2018

	Notes	2018 £	£	2017 £	£
Cash flows from operating activities					
Cash generated from/(absorbed by) operations	25		605,196		(836,272)
Investing activities					
Purchase of intangible assets		-		(29,788)	
Purchase of tangible fixed assets		(10,976)		(24,538)	
Interest received		1,269		4,856	
Net cash used in investing activities			(9,707)		(49,470)
Net cash used in financing activities			-		-
Net increase/(decrease) in cash and cash equivalents			595,489		(885,742)
Cash and cash equivalents at beginning of year			1,598,658		2,484,400
Cash and cash equivalents at end of year			2,194,147		1,598,658

MENTAL HEALTH MATTERS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

1 Accounting policies

Charity information

Mental Health Matters is a charitable company limited by guarantee incorporated in England and Wales. The registered office is Avalon House, St Catherine's Court, Sunderland Enterprise Park, Sunderland, SR5 3XJ.

Mental Health Matters meets the definition of a public benefit entity under FRS102. The charity exists for the benefit of the public through the provision of its services to any member of the public who has mental or physical health need.

Accounting convention

The financial statements have been prepared in accordance with the governing document, the Companies Act 2006 and "Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102)" (as amended for accounting periods commencing from 1 January 2016).

The financial statements are prepared in sterling, which is the functional currency of the charity. Monetary amounts in these financial statements are rounded to the nearest £.

Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy note.

These accounts set out the results of the charitable company only. The trustees consider that the charity's subsidiary is not material to the group and no consolidated accounts have been prepared in accordance with exemption under section 405 of the Companies Act.

Going concern

FRS102 requires that, if appropriate, the charity's financial statements are prepared on the going concern basis, which means that the organisation is able to operate for the foreseeable future on the basis of known and reasonable projected resources. There are no material uncertainties in respect of the charity's ability to continue as a going concern. The group derives its income from a range of sources which are secured to the coming period. Adequate reserves are maintained with no borrowings required. As a consequence, the trustees believe that the charity is well placed to manage its risks successfully and thus have adopted the going concern basis.

Charitable funds

Unrestricted funds

Incoming resources receivable or generated for the objects of the charity without further specified purpose are accounted for as unrestricted funds. Unrestricted funds are available to spend on activities that further any of the general objectives of the charity.

Restricted Funds

Incoming resources subject to specific restrictions imposed by funders or generated by the charity for a particular purpose are accounted for as restricted funds. Restricted funds are funds which are to be used in accordance with the Donors Instructions. The aim and use of each restricted fund is set out in the notes to the financial statements.

Designated funds

These are funds allocated by the trustees for specific future purposes. These funds are created by transfer from unrestricted funds. The aim and use of each designated fund is set out in the notes to the financial statements.

MENTAL HEALTH MATTERS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2018

1 Accounting policies (Continued)

Incoming resources

Incoming resources are recognised in the Statement of Financial Activities when the charity has entitlement to the funds; any conditions attached to the item(s) of income have been met; it is probable that the income will be received and the amount can be measured reliably.

Grants and contracted funding

Grants and contracted funding, including capital grants for the purchase of tangible fixed assets, are recognised in full in the Statement of Financial Activities in the year in which they become receivable. Where the conditions of receipt have not yet been met, the income is transferred to deferred income in the balance sheet and recognised in the statement of financial activities in a future accounting period.

Rental and support income

Rental and support income is recognised in full in the Statement of Financial Activities in the year in which it is receivable, net of any provision for arrears. Where rent and support income is received in advance for a future accounting period, the income is deferred and included in rents in advance and recognised in the Statement of Financial Activities in a future accounting period.

Interest receivable

Interest on funds held on deposit is included when receivable and the amount can be measured reliably by the charity; this is normally upon notification of the interest paid or payable by the bank.

Resources expended

Expenditure is recognised once there is a legal or constructive obligation to make a payment to a third party; it is probable that settlement will be required and the amount of the obligation can be measured reliably. Expenditure is all considered as expenditure on charitable activities, and is subdivided into the four main activities of the charity being employment services, community support and personalised services, housing services and talking therapies services. Costs of charitable activities comprise all costs incurred in the pursuit of the charitable objects of the charity. These costs include both the direct costs of providing services to the charity's beneficiaries and an apportionment of support and governance costs.

Support costs comprise the central management and support services. They have been apportioned between charitable activities as shown in note 5. The trustees consider that the costs in support of charitable activities are apportioned to services, considering such areas as staff time, size and complexity of contract etc.

Governance costs comprise all costs in connection with the strategic management of the charity and compliance with constitutional and statutory requirements. They have been apportioned between charitable activities as shown in note 5. The costs are apportioned in line with the level of support costs allocated.

All costs are inclusive of irrecoverable VAT.

Intangible fixed assets other than goodwill

Intangible assets are initially recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Intangible assets are amortised at their expected useful economic lives on a straight line basis as follows:

Software	25% straight line
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On disposal, the difference between the net disposal proceeds and the carrying amount of the intangible asset is recognised as income and expenditure.

MENTAL HEALTH MATTERS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2018

1 Accounting policies (Continued)

Tangible fixed assets

Individual tangible fixed assets costing £1,000 or more are capitalised. Tangible fixed assets are initially measured at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment losses. Depreciation is provided on tangible fixed assets other than freehold land, at rates calculated to write off their cost less estimated residual value over their expected useful lives as follows:

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Freehold land and buildings	5% straight line
Leasehold property improvements	20% to 33% straight line
Fixtures, furniture and equipment	15% to 50% straight line
Computer equipment and development	25% straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in net income/(expenditure) for the year.

Subsequent costs, including replacement parts, are capitalised only when it is probable that such costs will generate future economic benefits. Any replaced parts or remaining carrying amounts of previous inspections are then derecognised. All other costs of repairs and maintenance are charged to profit or loss as incurred.

Fixed asset investments

Fixed asset investments are initially measured at cost and subsequently measured at cost less any accumulated impairment losses.

Interests in subsidiaries are assessed for impairment at each reporting date. Any impairment losses or reversals of impairment losses are recognised immediately in income or expenditure.

Cash and cash equivalents

Cash and bank and in hand includes cash held at the bank.

Financial instruments

The charity has elected to apply the provisions of Section 11 'Basic Financial Instruments' of FRS 102 to all of its financial instruments.

All of the charity's financial assets and financial liabilities qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value.

Basic financial assets

Trade and other debtors are recognised at the settlement amount. Prepayments are valued at the amount prepaid.

Basic financial liabilities

Creditors and provisions are recognised where the charity has a present obligation resulting from a past event that will probably result in the transfer of all funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Creditors and provisions are normally recognised at their settlement amount.

MENTAL HEALTH MATTERS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2018

1 Accounting policies (Continued)

Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless these costs are required to be capitalised as an intangible or tangible fixed asset.

Certain employees are entitled to carry forward unused holiday entitlement at the reporting date. The cost of any unused entitlement is recognised in the period in which the employee's services are required.

Retirement benefits

Multi-Employer plans

The charity participates in two multi-employer pension schemes for its employees. For both schemes, contributions are recognised as income and expenditure in the period to which they relate as there is insufficient information available to use defined benefit accounting.

Where applicable, a liability is recognised for contributions arising from an agreement with the multi-employer plan that determines how the charity will fund a deficit. Contributions are discounted, at a rate according to FRS102, when they are not expected to be settled wholly within 12 months of the period end. The unwinding of the discount rate is recognised as a finance cost.

Leases

An asset and corresponding liability are recognised for leasing agreements that transfer to the charity substantially all of the risks and rewards incidental to ownership ('Finance Leases'). All other leases are operating leases.

Operating leases – the charity as a lessee

The charity classifies the lease of properties and equipment as operating leases. Rental charges are charged to the statement of financial activities on a straight line basis over the period of the lease. Rent free periods or other incentives received for entering into an operating lease are accounted for as a reduction to the expense and are recognised on a straight line basis over the lease term.

Operating leases – the charity as a lessor

Rental income from assets leased under operating leases is recognised on a straight line basis over the term of the lease.

Joint Arrangements

The charity has entered into certain contractual arrangements with other participants to engage in joint activities that do not create an entity carrying on a trade or business of its own. The charity has included its share of assets, liabilities and cash flows in this joint arrangement, measured in accordance with the terms of the arrangement.

MENTAL HEALTH MATTERS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2018

2 Critical accounting estimates and judgements

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

Critical areas of judgement

MHM delivers contractual services both in partnership with NHS foundation trusts and other providers and on a sole basis. These are long term contracts and due to their nature require elements of management judgement on income recognition.

Critical accounting estimates and assumptions

The charity makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

In providing for pension scheme liabilities under the TPT Retirement Solutions' Growth Plan, the Plan's Actuary and Trustees make estimates about the future.

MENTAL HEALTH MATTERS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2018

3 Charitable activities

	Employment services	Community support and personalised services	Housing services	Talking therapies services	Total 2018	Total 2017
	£	£	£	£	£	£
Grants and contracted funding	745,205	1,651,167	244,151	8,942,263	11,582,786	9,121,893
Rent charges	-	-	756,580	-	756,580	824,206
Support	-	-	212,645	-	212,645	383,931
Payment for meals	-	3,565	-	-	3,565	2,898
Other income	1,400	-	300	22,659	24,359	34,424
	<u>746,605</u>	<u>1,654,732</u>	<u>1,213,676</u>	<u>8,964,922</u>	<u>12,579,935</u>	<u>10,367,352</u>
Analysis by fund						
Unrestricted funds	686,392	1,654,732	1,213,676	8,357,765	11,912,565	
Restricted funds	60,213	-	-	607,157	667,370	
	<u>746,605</u>	<u>1,654,732</u>	<u>1,213,676</u>	<u>8,964,922</u>	<u>12,579,935</u>	
For the year ended 31 March 2017						
Unrestricted funds	450,376	1,228,574	1,280,716	7,347,474		10,307,140
Restricted funds	60,212	-	-	-		60,212
	<u>510,588</u>	<u>1,228,574</u>	<u>1,280,716</u>	<u>7,347,474</u>		<u>10,367,352</u>
Grants and contracted funding						
Local authority funding					737,922	797,694
Health authority and NHS trust funding					10,197,785	7,909,978
Other charities and trusts					102,313	345,981
Client direct payments					17,949	51,848
Housing associations					433,977	15,392
Big Lottery Fund					(271)	-
European Social Fund					-	1,000
Central Government funding					93,111	-
					<u>11,582,786</u>	<u>9,121,893</u>

MENTAL HEALTH MATTERS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2018

4 Investments

	2018	2017
	£	£
Bank interest	1,269	4,885

The income from investments was £1,269 (2017: £4,855) of which £1,269 was unrestricted (2017: £4,855).

MENTAL HEALTH MATTERS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2018

5 Charitable activities

	Employment services	Community support and personalised services	Housing services	Talking therapies services	Total 2018	Total 2017
	£	£	£	£	£	£
Staff costs	437,999	1,040,136	496,649	4,385,561	6,360,345	5,388,100
Other staff costs	47,167	90,464	93,486	825,590	1,056,707	801,388
Rent Payable	15,735	24,983	148,775	207,277	396,770	613,385
Other property costs	(10,032)	11,748	86,878	92,678	181,272	174,561
Direct client costs	686	3,602	19,613	1,469	25,370	27,057
Telephone	17,416	53,502	18,143	108,082	197,143	158,323
Postage and stationery	3,588	9,796	3,445	91,096	107,925	139,799
Insurance	3,958	15,860	8,675	9,796	38,289	34,011
Housing agency costs	-	-	36,445	-	36,445	36,485
Payments to Sub Contractors	-	28,993	-	1,201,782	1,230,775	1,373,278
Finance costs	295	966	536	1,146	2,943	2,850
Other operating costs	8,294	39,083	43,519	266,569	357,465	294,363
IT costs	2,540	31,841	(120)	287,124	321,385	186,817
Depreciation and amortisation	368	1,764	5,262	42,603	49,997	60,473
	528,014	1,352,738	961,306	7,520,773	10,362,831	9,290,890
Share of support costs (see note 6)	138,345	296,165	337,796	702,249	1,474,555	1,479,469
Share of governance costs (see note 6)	7,180	15,460	17,658	36,726	77,024	83,224
	673,539	1,664,363	1,316,760	8,259,748	11,914,410	10,853,583
Analysis by fund						
Unrestricted funds	619,142	1,664,363	1,316,760	7,752,964	11,353,229	
Restricted funds	54,397	-	-	506,784	561,181	
	673,539	1,664,363	1,316,760	8,259,748	11,914,410	
For the year ended 31 March 2017						
Unrestricted funds	479,810	1,360,713	1,524,465	7,429,284		10,794,272
Restricted funds	59,311	-	-	-		59,311
	539,121	1,360,713	1,524,465	7,429,284		10,853,583

MENTAL HEALTH MATTERS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2018

6 Support costs

	Support costs £	Governance costs £	2018 £	2017 £
Staff costs	538,717	-	538,717	576,598
Depreciation and amortisation	187,309	-	187,309	186,691
Other operating costs	266,461	-	266,461	240,739
IT costs	125,951	-	125,951	140,943
Finance costs	5,847	-	5,847	1,649
Other staff costs	143,517	-	143,517	152,962
Rent payable	46,099	-	46,099	51,862
Other property costs	26,551	-	26,551	30,910
Direct client costs	220	-	220	9
Telephone	20,777	-	20,777	19,063
Postage and stationery	18,720	-	18,720	19,005
Insurance	23,066	-	23,066	37,903
Advertising and publicity	26,763	-	26,763	13,516
Legal fees	44,557	-	44,557	7,619
Staff costs	-	36,297	36,297	37,228
Professional fees	-	31,749	31,749	35,742
Office costs	-	2,874	2,874	3,335
Trustee meetings	-	6,104	6,104	6,919
	<u>1,474,555</u>	<u>77,024</u>	<u>1,551,579</u>	<u>1,562,693</u>
Analysed as				
Charitable activities	<u>1,474,555</u>	<u>77,024</u>	<u>1,551,579</u>	<u>1,562,693</u>

7 Net movement in funds

	2018 £	2017 £
Net movement in funds is stated after charging/(crediting)		
Depreciation of owned tangible fixed assets	123,240	122,216
Amortisation of intangible assets	125,037	119,428
Operating lease rentals - equipment	8,893	10,678
Operating lease rentals - land and buildings	467,154	231,743
Operating lease receipts	<u>(756,580)</u>	<u>(824,529)</u>

MENTAL HEALTH MATTERS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2018

8 Auditor's remuneration

The analysis of auditor's remuneration is as follows:

Fees payable to the charity's auditor:	2018 £	2017 £
RSM UK Audit LLP – auditors' remuneration	15,965	15,500
Non-audit services		
RSM UK Tax and Accounting Limited – other services	6,700	8,200

9 Employees

Number of employees

The average monthly number employees during the year was:

	2018 Number	2018 FTE	2017 Number	2017 FTE
Employment services	30	17	18	15
Community support and personalised services	67	70	62	60
Housing services	28	31	40	32
Talking therapies services	150	137	131	117
Administration and support	21	20	20	19
Total	296	275	271	243

Employment costs

	2018 £	2017 £
Wages and salaries	6,173,269	5,344,720
Social security costs	561,698	469,048
Other pension costs	200,392	188,158
	6,935,359	6,001,926

MENTAL HEALTH MATTERS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2018

9 Employees (Continued)

	Notes	2018 £	2017 £
Charitable activities	5	6,360,345	5,388,100
Support costs	6	538,717	576,598
Governance costs	6	36,297	37,228
		<u>6,935,359</u>	<u>6,001,926</u>

The number of employees whose annual remuneration was £60,000 or more were:

	2018 Number	2017 Number
£80,000 - £90,000	<u>1</u>	<u>1</u>

Pension contributions paid in the year in respect of the above staff were £7,213 (2017: £6,877).

Remuneration of key management personnel

The key management personnel of the charity comprise the Chief Executive officer and the senior management team. The remuneration of key management personnel is as follows.

	2018 £	2017 £
Aggregate compensation	<u>365,758</u>	<u>367,677</u>

10 Trustees

The trustees received no remuneration during the year (2017: £nil) and no trustee received payment for professional or other services supplied to the charity (2017: £nil).

The aggregate amount of travelling and subsistence expenses reimbursed to the trustees during the year was £6,104 (2017: £6,919). The number of persons reimbursed was 8 (2017: 8). Insurance is provided to protect the charity from loss arising from the neglect or defaults of its trustees, employees or agents. Premiums paid during the year amounted to £3,161 (2017: £3,161).

MENTAL HEALTH MATTERS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2018

11 Intangible fixed assets

	Software £
Cost	
At 1 April 2017 and 31 March 2018	500,147
Amortisation	
At 1 April 2017	197,133
Amortisation charged for the year	125,037
At 31 March 2018	322,170
Carrying amount	
At 31 March 2018	177,977
At 31 March 2017	303,014

The amortisation charge for the year is recognised within expenditure on charitable activities.

There are no contractual commitments to acquire intangible assets at 31 March 2018 (2017: £nil).

12 Tangible fixed assets

	Freehold land and buildings £	Leasehold property improvements £	Fixtures, furniture and equipment £	Computer equipment £	Total £
Cost					
At 1 April 2017	-	30,391	320,528	738,739	1,089,658
Additions	-	-	10,976	-	10,976
Disposals	-	-	(22,998)	(191,640)	(214,638)
Transfer from assets held for sale	88,218	-	-	-	88,218
At 31 March 2018	88,218	30,391	308,506	547,099	974,214
Depreciation					
At 1 April 2017	-	24,622	150,585	631,084	806,291
Depreciation charged in the year	-	3,064	54,828	65,348	123,240
Eliminated in respect of disposals	-	-	(22,998)	(191,640)	(214,638)
At 31 March 2018	-	27,686	182,415	504,792	714,893
Carrying amount					
At 31 March 2018	88,218	2,705	126,091	42,307	259,321
At 31 March 2017	-	5,769	169,943	107,655	283,367

All tangible fixed assets are held for charitable purposes.

MENTAL HEALTH MATTERS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2018

13 Fixed asset investments

	Other investments
Cost or valuation	
At 1 April 2016 & 31 March 2017	1
Carrying amount	
At 31 March 2018	1
At 31 March 2017	1

The charity owns 100% of the issued ordinary share capital of Moorpark Limited, a dormant company registered in England and Wales (company number 02908244). The company pays all of its profits to the charity under the gift aid scheme. Moorpark Limited previously operated trading activities arising out of the charity's employment services but has been dormant throughout the last 4 financial years. The cost of this investment is £1 (2017: £1). A summary of the company's net assets for the year ended 31 March 2018 is provided below:

	2018 £	2017 £
Investments comprise:		
Investments in subsidiaries	1	1
The aggregate of the assets, liabilities and funds was:		
	2018 £	2017 £
Current assets	5,349	5,349
Current liabilities	(5,348)	(5,348)
Total net assets	1	1

14 Debtors

	2018 £	2017 £
Amounts falling due within one year:		
Trade debtors	822,358	903,598
Amounts due from subsidiary undertakings	2,727	2,727
Other debtors	4,142	9,370
Prepayments and accrued income	1,336,261	558,799
Rent arrears	28,591	63,328
	2,194,079	1,537,822

MENTAL HEALTH MATTERS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2018

15 Creditors: amounts falling due within one year

	Notes	2018 £	2017 £
Trade creditors		268,876	145,747
Other taxation and social security		133,810	122,096
Deferred income	16	1,006,245	682,129
Rents in advance		20,517	14,664
Other creditors and accruals		431,815	549,383
Provision for pension contributions		41,645	39,209
		<u>1,902,908</u>	<u>1,553,228</u>

16 Deferred income

	2018 £	2017 £
Deferred income at the start of the year	682,129	554,509
Released from previous years	(523,479)	(554,509)
Amounts deferred in the year	847,595	682,129
	<u>1,006,245</u>	<u>682,129</u>

17 Creditors: amounts falling due after more than one year

	2018 £	2017 £
Provision for pension contributions	281,452	323,791
	<u>281,452</u>	<u>323,791</u>

MENTAL HEALTH MATTERS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2018

18 Provisions for liabilities	2018	2017
	£	£
Amounts payable:		
Within one year	41,645	39,209
Within two to five years	170,049	168,343
After 5 years	111,404	155,448
	<u>323,098</u>	<u>363,000</u>

Amounts are repayable by instalments, via additional pension contributions (see note 19).

Schedule of movement in the financial year is as follows:

	£
Balance as at 1 April 2017	363,000
Unwinding of discount factor	5,000
Deficit contribution paid	(40,746)
Remeasurements	(4,156)
Balance as at 31 March 2018	<u>323,098</u>

19 Retirement benefit schemes

The charity participates in two multi-employer pension plans, being TPT Retirement Solutions' Growth Plan (formerly the Pensions Trust's Growth Plan) and the NHS Pension Scheme. The assets of the schemes are held separately from those of the charity in independently administered funds.

The contributions payable by the charity charged to income and expenditure amounted to:

	2018	2017
	£	£
The Growth Plan	88,726	69,081
NHS Pension Scheme	111,666	119,077
	<u>200,392</u>	<u>188,158</u>

Expenditure on pensions is allocated to service line according to staff time. Costs are split between restricted and unrestricted based upon project specific cost accounting. Contributions totalling £33,089 (2017: £35,167) were payable to the funds at the year end and are included in creditors.

MENTAL HEALTH MATTERS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2018

19 Retirement benefit schemes (Continued)

NHS Pension Scheme

The NHS Pension Scheme ('the scheme') is an unfunded, multi-employer defined benefit scheme that covers NHS employers, General Practices and other bodies, allowed under the direction of the Secretary of State, in England and Wales. The scheme is not designed to be run in a way that would enable participating bodies to identify their share of the underlying Scheme assets and liabilities. Therefore, the Scheme is accounted for as if it were a defined contribution scheme: the cost to the charity of participating in the Scheme is taken as equal to the contributions payable to the Scheme for the accounting period.

At the balance sheet date there were 24 active members of the Scheme employed by the charity. The Scheme is not open to new employees unless they are transferred under TUPE agreements from an NHS Foundation Trust.

The Scheme has a number of different benefit structures. For the 1995 section annual pensions are normally based on 1/80th of the best of the last 3 years' pensionable pay for each year of service; for the 2008 section annual pensions are normally based on 1/60th of the average of the best three consecutive years' pensionable pay in the final ten years of service for each year of service; for the 2015 section, which is a career average revalued earnings scheme, annual pensions are based on 1/54th of each year's pensionable pay.

Members of the 1995 section normally receive a lump sum on retirement of three times their annual pension. Members of the 2008 and 2015 sections receive a lump sum which may be a maximum of 25% of the value of their pension at retirement, their choice subsequently affecting the level of annual pension due. In all cases, the lump sum available is subject to a maximum amount permitted under HMRC rules.

Annual increases are applied to pension payments at rates defined by the Pensions (Increase) Act 1971, and are based on changes in the Consumer Price Index in the twelve months ending 30 September in the previous calendar year.

On death, a pension of 50%, 37.5% or 33.75% of the member's pension is normally payable to the surviving spouse, civil partner or nominated partner. The percentage payable depends on whether the member was in the 1995, 2008 or 2015 section. In addition, each section provides for a lump sum payable on death.

MENTAL HEALTH MATTERS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2018

19 Retirement benefit schemes (Continued)

The Scheme is subject to a full actuarial valuation every four years, and an FRS102 accounting valuation every year. At the conclusion of the 2012 full valuation the Scheme actuary reported that employer contributions could continue at the existing rate of 14% of pensionable pay until March 2015, and would increase to 14.3% from April 2015. From April 2017 the Department of Health added a 0.8% administration levy on employers, to be collected in addition to the standard 14.3% employer contribution rate.

The valuation of scheme liability in accordance with FRS102 is carried out annually by the Scheme Actuary. The latest assessment of the liabilities of the Scheme is contained in the Scheme Actuary report, which forms part of the NHS Pension Scheme Annual Accounts, published annually. These accounts can be viewed on the NHS Pensions website.

TPT Retirement Solutions' Growth Plan

TPT Retirement Solutions' Growth Plan ('the Plan') is funded and was not contracted out of the state scheme. Contributions paid into the 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 Plan or by the purchase of an annuity. For contributions from November 2012 the capital guarantee was removed.

It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to individual participating employers. The Plan is a multi-employer scheme, where the assets are co-mingled for investment purposes, and benefits are paid out of the Plan's total assets. Therefore, the Plan is accounted for as if it were a defined contribution scheme: the cost to the charity of participating in the Plan is taken as equal to the contributions payable to the Plan for the accounting period.

As at the balance sheet date there were 199 active members of the Plan employed by the charity. The charity continues to offer membership of the Plan to its employees. The charity paid contributions at rates of 1%, 3%, 5%, 6% and 8.5% during the accounting period. Members paid contributions at the rate of 1%, 3%, 5% and 6% during the accounting period.

Potential debt on withdrawal

There is a potential debt on the employer that could be levied by the trustee of the Plan in the event of the employer ceasing to participate in the Plan or the Plan winding up. The debt for the Plan as a whole is calculated by comparing the liabilities for the Plan (calculated on a buyout basis i.e. the cost of securing guaranteed benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Plan. If the liabilities exceed assets there is a buy-out debt.

The leaving employer's share of the buy-out debt is the proportion of the Plan's liability attributable to employment with the leaving employer compared to the total amount of the Plan'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 Plan liabilities, Plan 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.

MENTAL HEALTH MATTERS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2018

19 Retirement benefit schemes (Continued)

When an employer withdraws from a multi-employer defined benefit pension scheme which is in deficit, the employer is required by law to pay its share of the deficit, calculated on a statutory basis (known as the buy-out basis). The Plan is a "last man standing" multi-employer scheme. This means that if a withdrawing employer is unable to pay its debt on withdrawal the liability is shared amongst the remaining employers. The participating employers are therefore jointly and severally liable for the deficit in the Plan.

The charity has been notified by TPT Retirement Solutions of the estimated employer debt in the event that the charity were to withdraw from the Plan based on the financial position of the Plan as at 30 September 2017. Based on this information, the estimated employer debt of the charity at 30 September 2017 is £819,141.

Additional contributions payable

The rules of the Plan give the trustees 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 trustees 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 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.

MHM has been informed by TPT Retirement Solutions of additional contributions, which it is required to make towards the scheme deficit. These contributions will be made for a period of 10 years commencing on 1 April 2016, compounding by 3% annually. The full liability for these contributions has been provided at 31 March 2018 amount to £323,098 (2017: £363,000) (note 18). The amount recognised is the net present value of the contributions payable under the agreement. The rate of discount used at 31 March 2018 was 1.71% p.a. (2017 – 1.32% p.a.).

MENTAL HEALTH MATTERS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2018

20 Analysis of net assets between funds

For the year ended 31 March 2018:

	Unrestricted funds £	Restricted funds £	Total £
Fund balances at 31 March 2018 are represented by:			
Intangible fixed assets	177,977	-	177,977
Tangible assets	259,321	-	259,321
Investments	1	-	1
Current assets	2,188,867	296,451	2,485,318
Long term liabilities	(281,452)	-	(281,452)
	<u>2,344,714</u>	<u>296,451</u>	<u>2,641,165</u>

For the year ended 31 March 2017:

	Unrestricted funds £	Restricted funds £	Total £
Fund balances at 31 March 2017 are represented by:			
Intangible fixed assets	303,014	-	303,014
Tangible assets	283,367	-	283,367
Investments	1	-	1
Current assets	1,481,211	190,262	1,671,473
Long term liabilities	(323,791)	-	(323,791)
	<u>1,743,802</u>	<u>190,262</u>	<u>1,934,064</u>

MENTAL HEALTH MATTERS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2018

21 Funds

The income funds of the charity include restricted funds comprising the following unexpended balances of donations and grants held on trust for specific purposes:

	Movement in funds				
	Balance at 1 April 2017	Incoming resources	Resources expended	Transfers	Balance at 31 March 2018
	£	£	£	£	£
Unrestricted funds					
General funds	1,250,802	11,948,687	(11,347,775)	(235,551)	1,616,163
Designated funds	493,000	-	-	235,551	728,551
	<u>1,743,802</u>	<u>11,948,687</u>	<u>(11,347,775)</u>	<u>-</u>	<u>2,344,714</u>
Restricted funds					
Support	137,773	-	-	-	137,773
Employment services	52,447	60,213	(54,397)	-	58,263
Community support and personalised services	42	-	-	-	42
Talking therapies services	-	607,157	(506,784)	-	100,373
	<u>190,262</u>	<u>667,370</u>	<u>(561,181)</u>	<u>-</u>	<u>296,451</u>
	<u>1,934,064</u>	<u>12,616,057</u>	<u>(11,908,956)</u>	<u>-</u>	<u>2,641,165</u>

General funds – 'Free reserves' after allowing for designated funds.

From these unrestricted funds, the trustees have made the following designations:

- an amount of £496,044 to meet projected additional costs should the trustees decide that MHM should leave the relevant pension scheme, which the trustees do not currently intend to do; and
- an amount of £232,507 to meet anticipated costs of ongoing contracts.

Restricted funds – The balance carried forward represents restricted income on projects to be expended in future periods. The funds are summarised on the basis of the charitable activity into which each project falls.

The restricted funds categorised as Support represent a legacy received in 2007. The restriction is that the funds must be used to support people with schizophrenia. The funds are held in cash at bank and will only be applied when relevant projects have been identified.

The restricted funds categorised as Employment services and Community support and personalised services result from income on funded projects exceeding expenditure. These funds are held as restricted because there is an expectation that the excess will be recouped by the funders. These funds are also held in cash at bank.

The restricted funds categorised as Talking therapies services relate to funding granted specifically for the IAPT expansion associated with an existing IAPT service. The carried forward balance is to be spent in the 2018/19 financial year on committed costs associated with the expansion.

MENTAL HEALTH MATTERS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2018

21 Funds (Continued)

For the year ended 31 March 2017:

	Balance at 1 April 2016	Movement in funds		Transfers	Balance at 31 March 2017
	£	Incoming resources £	Resources expended £	£	£
Unrestricted funds					
General funds	1,840,572	10,320,731	(10,794,272)	(116,229)	1,250,802
Designated funds	376,771	-	-	116,229	493,000
	<u>2,217,343</u>	<u>10,320,731</u>	<u>(10,794,272)</u>	<u>-</u>	<u>1,743,802</u>
Restricted funds					
Support	137,773	-	-	-	137,774
Employment services	51,546	60,212	(59,311)	-	52,447
Community support and personalised services	42	-	-	-	42
	<u>189,361</u>	<u>60,212</u>	<u>(59,311)</u>	<u>-</u>	<u>190,263</u>
	<u>2,406,704</u>	<u>10,380,943</u>	<u>(10,853,583)</u>	<u>-</u>	<u>1,934,064</u>

22 Operating lease commitments

Lessee

The charity as a lessee:

At the reporting date the charity had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Land and buildings		Other	
	2018 £	2017 £	2018 £	2017 £
Within one year	289,569	382,533	7,109	7,989
Between one and five years	174,904	316,090	10,595	17,430
	<u>464,473</u>	<u>698,623</u>	<u>17,704</u>	<u>25,419</u>

MENTAL HEALTH MATTERS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2018

22 Operating lease commitments (Continued)

The charity as a lessor:

The charity has a large number of tenancy agreements contracts with tenants utilising the services of the charity. The lease agreements have varying terms, however all leases are cancellable as the intention of the charity is that tenants vacate premises once they are recovered.

At the year end, the charity had no contracts with tenants under non-cancellable operating leases.

23 Financial instruments	2018 £	2017 £
Carrying amount of financial assets		
Debt instruments measured at amortised cost	1,760,314	1,209,196
Carrying amount of financial liabilities		
Measured at amortised cost	700,691	1,072,794

24 Related party transactions

Transactions with related parties

The charity continued to work in a joint arrangement with Tees Esk and Wear Valley NHS Foundation Trust and NHS County Durham and Darlington NHS Foundation Trust in which any surpluses or losses will be recognised equally between the parties.

The charity also continued to work in a joint arrangement with Sunderland Counselling Service and Efficacy Limited to provide mental health services to Northumberland Clinical Commissioning Group.

During the year the charity entered into the following transactions with related parties:

	Primary care services income	
	2018 £	2017 £
Tees Esk and Wear Valley NHS Foundation Trust and County Durham and Darlington NHS Foundation Trust	724,521	814,833
Sunderland Counselling Service and Efficacy Limited	3,794,595	3,878,668
	4,519,116	4,693,501

MENTAL HEALTH MATTERS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2018

24 Related party transactions (Continued)

The following amounts were outstanding at the reporting end date:

	Amounts owed by related parties 2018		Amounts owed by related parties 2017	
	Balance £	Net £	Balance £	Net £
Tees Esk and Wear Valley NHS Foundation Trust and County Durham and Darlington NHS Foundation Trust	133,188	133,188	266,975	266,975
Sunderland Counselling Service and Efficacy Limited	316,398	316,398	369,702	369,702
	<u>449,586</u>	<u>449,586</u>	<u>636,677</u>	<u>636,677</u>

During the year the charity received £420 (2017: £nil) from Smart DCC Ltd. for the provision of staff training. Smart DCC Ltd. are a related party by virtue of a common director.

25 Cash generated from operations	2018 £	2017 £
Surplus/(deficit) for the year	707,101	(472,640)
Adjustments for:		
Investment income recognised in statement of financial activities	(1,269)	(4,855)
Amortisation and impairment of intangible assets	125,037	119,428
Depreciation and impairment of tangible fixed assets	123,240	122,216
Movements in working capital:		
(Increase) in debtors	(656,257)	(257,277)
Increase/(decrease) in creditors	307,344	(343,144)
Cash generated from/(absorbed by) operations	605,196	(836,272)

26 Legal status of the charity

The charity is a company limited by guarantee and has no share capital. In the event of the charity being wound up, the liability in respect of the guarantee is limited to £1 per member of the charity.

27 Taxation

The charity is exempt from tax on income and gains falling within Section 505 of the Taxes Act 1988 or Section 252 of the Taxation of Chargeable Gains Act 1992 to the extent that these are applied to its charitable objects.