

Society of St James

Report and Financial Statements

Year Ended

31 March 2019

Company Number: 03009700

Charity Number: 1043664

Society of St James

Annual report and financial statements for the year ended 31 March 2019

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Society of St James

Reference and administrative information for the year ended 31 March 2019

| | |
|---|--|
| Trustees and Directors: | D Scott (Chair) J Dawes (resigned 18 October 2018) S Butterfill D Craggs P Hillary A Holland (Treasurer) G Marshall J Osman R Hollis (co-opted 5 February 2019) G Tunney (co-opted 26 March 2019) |
| Company Secretary: | T Pickup |
| Senior Staff | T Pickup (Chief Executive) A Powell (Director of Finance and Central Services) J Smith (Operations Director – resigned 30 April 2019) M Taylor (Operations Director) T Keall (Operations Director) N Wilsenham (Operations Director – appointed 1 May 2019) |
| Registered Office: | 125 Albert Road South Southampton SO14 3FR |
| Registered Company Number: | 03009700 |
| Regulator of Social Housing Registration Number: | LH4337 |
| Registered Charity Number: | 1043664 |
| Auditors: | Nexia Smith & Williamson Cumberland House 15 – 17 Cumberland Place Southampton SO15 2BG |
| Solicitors: | Blake Morgan New Kings Court Tollgate Chandler's Ford Hampshire SO53 3LG |
| Bankers: | NatWest 68 Above Bar Street Southampton SO14 7DS |

Society of St James

Report of the Board of Trustees incorporating a Strategic Report for the year ended 31 March 2019

Introduction

The Board of Trustees presents its report and financial statements for the year ended 31 March 2019, which should be read in conjunction with the information on page 1. All Trustees are directors of the Charitable Company for the purposes of company law.

Structure, Governance and Management

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

The Society is governed by the Board of Trustees, which meets every two months. The Board has created three Committees to take specific interest in the areas of Personnel, Audit and Finance, and Operations. These Committees meet regularly in the year. A Development Panel was also convened as required to provide a mechanism for Board supervision of new major projects as they arise. In line with good practice, the Society also convenes a Directors' Remuneration Committee each February to set the Senior Management Team's salaries.

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

At its "away day" in February 2019 the Board reviewed its own performance and the performance of the sub committees of the Board. It also reviewed the effectiveness of the current committee structure and systems in place to ensure that they provided effective governance arrangements for the Society. The Board also reviewed the key risks facing the Society and mechanisms to ensure that they addressed within Board meetings and reports to the Board. The Board is confident of its continued compliance with the Standard.

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

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

The Society has adopted the National Housing Federation Code of Governance and has recently reviewed its performance against the 2016 edition. The Society is compliant with the Code, with one exception, that the Governing Documents need to be revised to enable the Board to vote for the removal of a Board Member.

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

Objectives and Activities

The Objectives of the Society are:

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

Society of St James

Report of the Board of Trustees incorporating a Strategic Report (*continued*) for the year ended 31 March 2019

Objectives and Activities (*continued*)

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

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

Housing

The Society provides a range of housing to homeless people in Southampton, Portsmouth and elsewhere in Hampshire, ranging from hostels, through shared housing to one-bedroom flats and a registered residential care home. The Society also manages accommodation for homeless families in Rushmoor. The Society managed 459 units (bed spaces), including the care home, on 31 March 2019 of which 164 were owned and 295 were either managed or leased.

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

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

The Society has also leased two properties to another Registered Provider in order for it to provide services similar to the Society but for younger people.

Support

The Society seeks to provide support beyond the services normally provided by a landlord to those living in its accommodation. This activity is largely funded through contracts from Local Authorities, under which the Society received £1.460 million (2018 £1.496 million) during the year, enabling the employment of support staff in most residential projects. The support provided enables people previously homeless, with mental health issues, young homeless and with substance misuse problems to maintain their housing and to develop skills to live independently in the community. The Society is also supporting 9 residents in Aldershot in a homelessness hostel with Housing related support being funded by the Local NHS Trust.

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

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

Care

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

Society of St James

Report of the Board of Trustees incorporating a Strategic Report (*continued*) for the year ended 31 March 2019

Objectives and Activities (*continued*)

Substance Misuse Services

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

These services work with over 1500 people at any one time, providing a range of interventions to people with issues with alcohol and drugs. Each project is commissioned through competitive tendering and performance is carefully monitored by the commissioning body, the relevant local authority.

Employment and Training Opportunities

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

Strategic Report - *Achievements and performance*

The Society's income has increased from £10.0 million to £10.5 million, which was due to additional income from Portsmouth and philanthropic funding, and in spite of reducing levels of income from various other local authority funded activities.

The surplus for the year of £106,800 (2018: £150,343) is a good result and in line with previous performance

The last twelve months have been successful for the Society. Performance against the key objectives identified in the 2018 business plan was as follows:

Increase housing stock

SSJ is committed to developing additional housing in order to provide more move-on opportunities from our existing housing projects and to contribute to reducing rough sleeping. Over the year SSJ acquired 11 new buildings, mostly funded by a mix of Homes England and mortgages. Once these buildings are refurbished, it will create 59 units of accommodation, for single people and homeless families. During the year SSJ also completed 2 schemes purchased in the previous year, bringing 10 more units into service in Portsmouth.

Develop future partnerships

A number of new partnerships have been developed with a range of partners where SSJ can provide housing expertise. These include

- SSJ is working with Southampton City Council to manage a further block of accommodation for 12 homeless families.
- Partnership with Mental health services in Southampton to provide accommodation for people leaving hospital.
- A bid has been submitted jointly with the Southampton and Winchester Visitors Group to the National Lottery for funding to support a house for refugees and asylum seekers with no access to public funds.
- Other partnerships are being also developed.

Society of St James

Report of the Board of Trustees incorporating a Strategic Report (*continued*) for the year ended 31 March 2019

Strategic Report - Achievements and performance (*continued*)

Continue to bid for relevant services

SSJ has continued to identify and tender for contracts in the Hampshire/IOW region in areas related to specialised housing and substance misuse. Over the year a number of tenders have been submitted but without success. The processes have been reviewed and SSJ is working to improve our bidding process.

Improvements in central services functions

Good progress has been achieved in the following areas:

- The IT team have moved all SSJ data into the Cloud, improved data security and improved remote access to systems.
- The Finance team have installed the ITrent system to allow integration with payroll and this is currently being tested. Simplified management accounts are being trialled.
- HR has moved most HR functions on to ITrent and all staff has been trained on the new system.
- Maintenance systems have been improved and additional staff recruited to improve efficiency and to manage the increased number of units.

Grants and fundraising

- SSJ successfully submitted bids to the National Lottery, Children In Need and Sports England, which resulted in grants being awarded for a number of schemes to enhance the work of our services.

Personnel

- SSJ continues to value its Gold standard for Investors in People. The assessment focuses on a range of topics, most of which are linked to being a good employer. As an organisation, our staff are crucial to our success and Investors in People has been key in ensuring good practice in this area. SSJ will be seeking to implement new ideas to help it to retain this standard when it is due for review.

Strategic Report - Financial Review

Financial Position and Management Policies

The year ended 31 March 2019 has again seen net cash generated from operating activities of £55,642 (2018 - £53,262), and an operating surplus of £134,452 (2018 - £159,910). The Society remains in a sound financial position at 31 March 2019 and finished the year with Total Comprehensive Income of £142,800 (2018 - £134,343). During the year the Society invested £3.5m (2018 £0.8m) in acquiring and developing new Housing Property.

There has been a decrease in cash during the year to £441,622 (2018 - £884,163) which is mainly due to the Society investing in new housing, particularly with regards to utilising cash whilst waiting for loan and grant receipts. The Society has borrowed over £2million from Charity Bank during the year and will borrow more in the new year. It also has mortgage arrangements with Natwest and the Nationwide Building Society.

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

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

Society of St James

Report of the Board of Trustees incorporating a Strategic Report (*continued*) for the year ended 31 March 2019

Strategic Report - *Financial Review (continued)*

Reserves

Free reserves were £517,274 at 31 March 2019 (2018 - £712,174). Free reserves are calculated by subtracting the value of fixed assets (excluding investments) from total reserves before adding back long term liabilities and the next year's mortgage liability. The level of free reserves at 31 March 2019 was significantly reduced by the Society acquiring a property predominantly with its own cash during March. Loan finance of £681,250 was drawn down on 26 April 2019 with £298,750 of this drawn to finance the aforementioned property acquisition. Had the loan been available and drawn by 31 March 2019 the free reserves would have been £816,023.

It is the Society's policy to ensure that it will aim to maintain access to at least £400,000 of cash plus sufficient sources of liquidity to ensure the following month's expenditure can be met. This sufficient liquidity will include cash on deposit, an overdraft facility, investments and short term debtors including Housing Benefit.

The Society had £3,196,206 of total reserves at 31 March 2019 (2018 - £3,053,406).

Sources of Income

The largest source of income for the Society has this year switched to net rental and service charge income which has increased to £3,879,596 (2018 - £3,563,165) and now represents 37% of the Society's total income (2018 - 36%). The reason for this increase has been the increase in bed spaces provided by the Society through acquisitions and some leasing of property. It is usually collected directly from the relevant Local Authority in the form of Housing Benefit payments. The percentage of the Society's income that it receives through housing support (previously Supporting People ("SP")) contracts has decreased during the year to around 14% (2018 - 15%) of total income with the actual amount of funding from this source falling by approximately £36,000 from £1.496m to £1.460m. The reduction in the funding has come about as Southampton City Council reshaped services last year and this year has seen the full year impact.

Grant income from substance misuse services is still extremely important to the Society and has increased from the previous year by approximately £5k, now representing 35% of the Society's income (2018: 36%). Donations and awards from philanthropic trusts and the general public remain a key source of funding with the Society benefitting from £262,783 in the year to 31 March 2019 (2018 - £268,133).

Investments

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

The funds in which the Society held investments during the year were Charifund and the Charities Property Fund. Charifund is an equity based investment managed by M&G Securities. The Charities Property fund (CPF) is a property based investment aimed at both capital growth and income in the form of rents charged to tenants in these properties, the fund is managed by Cordea Savills. The funds increased by 4.2% in value during the year.

Strategic Report - *Plans for the Future*

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

Society of St James

Report of the Board of Trustees incorporating a Strategic Report (*continued*) for the year ended 31 March 2019

Strategic Report - Plans for the Future (*continued*)

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

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

The Board have agreed a number of priorities for the coming year. These include

- Ongoing tendering - SSJ will continue to submit bids and tenders to manage services within our geographic catchment area and in line with our aims, values and experience.
- Purchase of a second Care Home - SSJ has been running a specialist care home for people who need Care in a registered care home, due to their alcohol issues. Demand for the existing accommodation outstrips supply and there has been a significant waiting list over the last 6 months. This purchase will require significant additional borrowing to enable the purchase.
- Housing development – SSJ is committed to continuing to acquire and develop additional housing. Many of these units will be used to provide move-on opportunities for our existing residents, helping people move out of hostels and into more independent accommodation. This in turn, creates more spaces for people to move into hostels from the streets, thereby helping reduce rough sleeping. This will require continued access to Homes England grant and sources of lending

Strategic Report - Principal Risks and Uncertainties

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

The majority of SSJ's income comes from government funding in some form or another. This funding has been under pressure over the last five years as the Government has sought to reduce public spending. This results in less money being available for local authorities, who in turn, reduce the funding available to providers of services.

Rent levels being cut by 1%

The Society has been required to cut its rents by 1% per annum this year (April 2019) and will be required to do the same next year. This is part of the Government's plans to reduce the welfare budget, as a proportion of rent is covered by Housing benefit.

Housing Association rents have been capped by the regulator for many years, but this actual reduction of 1% per annum against CPI of between 2-3% means a significant cut in real terms.

These changes could have a significant impact on SSJ, alongside other providers of accommodation to vulnerable adults, although at the time of writing, the plans are not detailed enough to provide any certainty. The Government has now withdrawn its previous plan to link rents to the Local Housing Allowance level, as used within the Housing benefit system.

On-going Pressure on Local Authority Budgets

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

- a) Local authorities seeking to renegotiate existing contracts as they seek to save money. This process is currently under way with several contracts;
- b) Risk of existing contracts not being re-commissioned when reaching their end date;

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Report of the Board of Trustees incorporating a Strategic Report (*continued*) for the year ended 31 March 2019

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

- c) Tenders being issued when contracts come to an end but at reduced values.

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

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

Due to SSJ's recent increase in borrowing its exposure to interest rate movements has also increased. SSJ continues to review the rates charged on current loans and potential fixed rate loans with a view to mitigating the risk as is necessary.

Strategic Report - *Fundraising practices*

Under the Charities (Protection and Social Investment) Act 2016, the Society is required to describe its approach to fundraising. The Society is well supported by the local community and benefits from numerous donations from schools, churches, business groups, social clubs and individuals. The majority of these are one-off donations, but a small number of individuals have set up regular payments by standing order. SSJ runs a number of fundraising campaigns over the year to appeal for funds for specific activities, such as the Christmas appeal as well as seeking donations towards our general activities. These campaigns are conducted by sending newsletters by post and email and by running social media campaigns. Staff also give talks and presentations when invited, to various groups, which often leads to donations.

Our mailing list and email list is made up of members of the Society and those who have either donated in the past or have asked to be added to the mailing list. We have not undertaken any mass mailing campaigns in the last year. We have also contacted everyone on the mailing list and confirmed that supporters wish to continue to receive information, in line with GDPR requirements.

The Society runs a sponsored sleep-out, has sold Christmas cards and has participants in various local running and similar events. We also benefit from being chosen as the "Charity of the Year" by various commercial companies and associations.

Donations of food, clothing, Christmas presents and time from individual volunteers and from teams of volunteers is also valuable. Jamie's receives about 20 tonnes of computing and other IT equipment each month, which it processes and sells to generate income, and the Recycle bike project receives numerous bikes over the year. SSJ does not use external consultants to undertake fundraising on our behalf, and we seek to ensure an ethical approach to our appeals and campaigns.

The Society is not a member of the institute of fundraisers, and has not signed up to any voluntary regulatory framework. We do receive complaints which are dealt with carefully. The most common complaints we get are either a lack of a thank you letter following a donation or that we are sending too much publicity and should not be wasting money in this way.

We are conscious of safeguarding issues and have previously not accepted large donations until some investigation concerning the donor has been undertaken (and in some cases, returned the money). We aim to send 2-3 mailing/newsletters a year to our supporters, so do not feel we are putting people under significant pressure to donate.

Society of St James

Report of the Board of Trustees incorporating a Strategic Report (*Continued*) for the year ended 31 March 2019

Value for Money

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

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

The requirements of the RSH require standard metrics to be shown in these accounts; the following shows these metrics for the Society. There is also a new requirement for the year ended 31 March 2019 to compare the performance shown by these metrics with the Society’s peers. The RSH has published value for money data for the sector for 2018, the most appropriate benchmark from this data is that provided for supported housing specialist providers (although these are all still large organisations. The Society has therefore chosen to additionally benchmark against local peer organisation that are known to have relatively similar characteristics.

Metric 1 - Reinvestment %

| | | |
|--|-------------------|-------------------|
| Development of new properties / housing properties at cost | 2019 | 2018 |
| Property additions | £3,553,476 | £852,209 |
| Property cost at 31/3/19 (NBV) | <u>£7,225,764</u> | <u>£3,791,509</u> |
| <i>Result</i> | 49.2% | 22.5% |

Commentary

The Society has acquired 11 new properties (21 units) during the year (2018: 3 properties 15 units) at a combined acquisition cost (excluding fees and capital works) of £3,208,500 (2017: £747,500). This increase has been achieved through greater access to capital grant from Homes England alongside as well as additional loan finance.

Comparison with peers (2018 data)

| | | | | |
|-------|--------|------------|-----------|------------|
| SSJ | Sector | Two Saints | Havant HA | Langley HT |
| 22.5% | 5.5% | 6.1% | 5% | 6.4% |

Commentary

Due to the greater availability of capital grant, and in discussion with Local Authority partners, SSJ has made a strategic decision to rapidly increase investment in acquiring additional properties to meet its objectives. It is apparent that other similar providers have not made the same strategic choices in the comparison period.

Metric 2 - New supply delivered %

| | | |
|---|------------|------------|
| The Society does not provide any non-social housing units | 2019 | 2018 |
| New social housing units Social housing developed or acquired during the year | 40 | 25 |
| Units of social housing owned at 31/3/19 | <u>459</u> | <u>419</u> |
| <i>Result</i> | 8.7% | 6.0% |

Society of St James

Report of the Board of Trustees incorporating a Strategic Report (*Continued*) for the year ended 31 March 2019

Value for Money (continued)

Comparison with peers (2018 data)

| SSJ | Sector | Two Saints | Havant HA | Langley HT |
|------|--------|------------|-----------|------------|
| 6.0% | 0.9% | 7.6% | 4% | 13.8% |

Commentary

SSJ is performing well against the sector comparator here and largely in line with other peers who appear to be expanding through entering into lease arrangements rather than acquisition or development of new units.

Metric 3 - Gearing %

| Loans less cash / housing properties at cost | 2019 | 2018 |
|--|--------------|--------------|
| Short and long term loans less cash | £2,919,592 | £403,970 |
| Property cost at 31/3/19 (NBV) | £7,225,674 | £3,791,509 |
| Result | 45.6% | 10.7% |

Commentary

The Society has significantly increased its loans during the year in order to meet its strategic objectives of providing more housing, taking advantage of capital grants available.

Comparison with peers (2018 data)

| SSJ | Sector | Two Saints | Havant HA | Langley HT |
|-------|--------|------------|-----------|------------|
| 10.7% | 17.3% | (25.7%) | (12%) | No loans |

Commentary

SSJ was less geared than the sector in 2018 but this looks like to change in 2019. Other peer organisations have an excess of cash over long term loans and so have negative gearing, likely due to alternating strategies.

Metric 4 - EBITDA MRI Interest Cover %

| Operating surplus less grants and capex + interest and depreciation / interest payable | 2019 | 2018 |
|--|-------------|-------------|
| Operating surplus less grants and capex + interest and depreciation | £153,169 | £267,856 |
| Interest payable | £72,366 | £27,333 |
| Result | 212% | 980% |

Comparison with peers (2018 data)

| SSJ | Sector | Two Saints | Havant HA | Langley HT |
|------|--------|------------|-----------|------------|
| 980% | 232% | 693% | 1764% | No loans |

Commentary

In 2018 the Society was paying less interest a proportion of operating surpluses than the sector average; SSJ's 2019 ratio is more in line with the sector average.

Society of St James

Report of the Board of Trustees incorporating a Strategic Report (Continued) for the year ended 31 March 2019

Value for Money (continued)

Metric 5 - Headline social housing cost per unit

| Social housing costs / social housing units owned and managed | 2019 | 2018 |
|---|------------|------------|
| Social housing costs | £5,512,488 | £5,509,381 |
| Social housing units owned and managed | 459 | 419 |
| <i>Result</i> | £12,010 | £13,149 |

Commentary

The Society solely provides accommodation for formerly homeless and or vulnerable individuals / families in supported and general needs accommodation. It incurs significant additional costs in providing support services. The increased stock of lower support housing has reduced the costs per unit owned in 2019 compared to 2018.

Comparison with peers (2018 data)

| SSJ | Sector | Two Saints | Havant HA | Langley HT |
|---------|--------|------------|-----------|------------|
| £13,149 | £8,930 | £9,194 | £4,110 | £9,183 |

Commentary

It is difficult to ascertain why peers costs are lower without knowing greater detail of business models. SSJ's cost per unit have reduced over time and it is anticipated that this trend will continue in the future.

Metric 6 - Operating Margin %

A Operating Margin (social housing lettings only) %

| Operating surplus from social housing lettings / turnover from social housing lettings | 2019 | 2018 |
|--|------------|------------|
| Operating surplus from social housing lettings | £325,044 | £187,668 |
| Turnover from social housing lettings | £5,837,532 | £5,697,050 |
| <i>Result</i> | 5.6% | 3.3% |

Commentary

The Society runs a significant number of supported housing contracts that are both competitively tendered and have had significant reductions applied to them in recent years; this means that operating margins are quite small. The Operating Margin has improved between 2018 and 2019 due to increasing income through developing and letting new units as well as reducing the level of voids, all whilst maintaining costs at a very similar level.

Comparison with peers (2018 data)

| SSJ | Sector | Two Saints | Havant HA | Langley HT |
|------|--------|------------|-----------|------------|
| 3.3% | 12.1% | 5.4% | 38% | (1.8%) |

Commentary

Performance differs quite significantly across peer providers in this area due to the different business models used.

Society of St James

Report of the Board of Trustees incorporating a Strategic Report (*Continued*) for the year ended 31 March 2019

Value for Money (continued)

Metric 6 - Operating Margin %

B Operating Margin (overall) %

| | | |
|------------------------------------|-------------|------------|
| Operating surplus / Total turnover | 2019 | 2018 |
| Operating surplus | £134,452 | £159,910 |
| Total Turnover | £10,501,636 | £9,988,210 |
| <i>Result</i> | 1.3% | 1.6% |

Commentary

The Society runs a number of other contracts alongside and in conjunction with supported housing services. These are holistic complimentary services for the vulnerable people that the Society houses and are in line with the organisation's aims. The contracts are also competitively tendered and so have very low margins.

Comparison with peers (2018 data)

| SSJ | Sector | Two Saints | Havant HA | Langley HT |
|------|--------|------------|-----------|------------|
| 1.6% | 5.5% | 5.3% | 39% | 1.4% |

Commentary

As SSJ provides significant additional services, it is likely that its operating margin will continue to be below peer providers.

Metric 7 - Return on capital employed (ROCE) %

| | | |
|---|------------|------------|
| Operating surplus / Total assets less current liabilities | 2019 | 2018 |
| Operating surplus | £134,452 | £159,910 |
| Total assets less current liabilities | £8,235,032 | £5,045,520 |
| <i>Result</i> | 1.6% | 3.2% |

Commentary

The significant increase in assets during the year has not yet been matched with increased surpluses as the properties are refurbished ready for occupation. The percentage return on assets should improve when the new properties are in use.

Comparison with peers (2018 data)

| SSJ | Sector | Two Saints | Havant HA | Langley HT |
|------|--------|------------|-----------|------------|
| 3.2% | 2.8% | 4.7% | 7% | 1.6% |

Commentary

SSJ's return on capital in 2018 was broadly comparable with peer and sector data in this area. It is likely that SSJ's ROCE in 2019 will be lower than peers.

Society of St James

Report of the Board of Trustees incorporating a Strategic Report (*continued*) for the year ended 31 March 2019

Statement of the Board of Trustees' responsibilities

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

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

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

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

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

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

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

Auditors

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

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

This report was approved by the Board of Trustees on 5 September 2019
and is signed on its behalf by:



D Scott, Trustee

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

Opinion

We have audited the financial statements of Society of St James (the 'association') for the year ended 31 March 2019 which comprise the Statement of Comprehensive Income, the Statement of Changes in Reserves, the Statement of Financial Position and the Cash Flow Statement and the 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 association's affairs as at 31 March 2019 and of its surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006; and
- have been properly prepared in accordance with the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015.

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 association in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Other information

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

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

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

- the Report of the Board of Trustees incorporating a Strategic Report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the association and its environment obtained in the course of the audit, we have not identified material misstatements in the Report of the Board of Trustees incorporating a 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 directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Statement of Board's Responsibilities set out on page 13, the members of the board are the directors of the association for the purposes of company law. The directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal controls as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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

Nexia Smith & Williamson

Julie Mutton

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

Cumberland House
15-17 Cumberland Place
Southampton
SO15 2BG

Date: 25/9/19

Society of St James

Statement of Comprehensive Income for the year ended 31 March 2019

| | Notes | 2019 | 2018 |
|--|----------|------------|-------------|
| | | £ | £ |
| Turnover | | 10,501,636 | 9,988,211 |
| Operating costs | | 10,367,184 | (9,828,301) |
| | | 134,452 | 159,910 |
| Operating surplus | 2 | 134,452 | 159,910 |
| Unrealised surplus on investments | | 7,580 | 6,625 |
| | | 142,032 | 166,535 |
| Surplus on ordinary activities before interest | | 142,032 | 166,535 |
| Interest receivable and similar income | 6 | 9,288 | 11,141 |
| Interest payable and similar charges | 7 | (44,520) | (27,333) |
| | | 106,800 | 150,343 |
| Surplus for the year | | 106,800 | 150,343 |
| Actuarial gain / (loss) in respect of pension scheme | | 36,000 | (16,000) |
| | | 142,800 | 134,343 |
| Total Comprehensive Income for the year | | 142,800 | 134,343 |

All activities of the charitable company are classed as continuing.

The notes on pages 20 to 38 form part of these financial statements.

Society of St James

Statement of Changes in Reserves for the year ended 31 March 2019

| | Retained Earnings £ |
|---------------------------------|------------------------------------|
| Balance at 1 April 2017 | 2,919,063 |
| Surplus for the year | 150,343 |
| Other Comprehensive Income | (16,000) |
| | <hr/> |
| Balance at 31 March 2018 | 3,053,406 |
| | <hr/> |
| Balance at 1 April 2018 | 3,053,406 |
| Surplus for the year | 106,800 |
| Other Comprehensive Income | 36,000 |
| | <hr/> |
| Balance at 31 March 2019 | 3,196,206 |
| | <hr/> <hr/> |

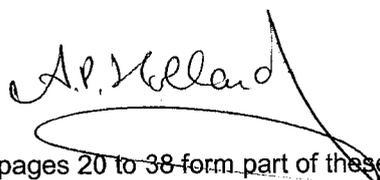
Society of St James

**Statement of Financial Position
at 31 March 2019
Company Registration Number: 03009700**

| | Notes | 2019 £ | 2018 £ |
|--|-------|-----------|-----------|
| Fixed assets | | | |
| Housing properties at cost less depreciation | 9 | 7,225,764 | 3,791,509 |
| Intangible assets | 10 | 52,000 | 58,500 |
| Other fixed assets | 11 | 504,375 | 520,476 |
| Investments | 12 | 187,693 | 180,113 |
| | | 7,969,832 | 4,550,598 |
| Current assets | | | |
| Debtors | 13 | 1,135,375 | 979,211 |
| Cash at bank and in hand | | 441,622 | 884,163 |
| | | 1,576,997 | 1,863,374 |
| Creditors: amounts falling due within one year | 14 | 1,311,797 | 1,368,452 |
| | | 265,200 | 494,922 |
| Net current assets | | | |
| | | 8,235,032 | 5,045,520 |
| Total assets less current liabilities | | | |
| Creditors: amounts falling due after more than one year | 15 | 5,037,826 | 1,964,114 |
| Provisions for liabilities | | | |
| Pension scheme provision | 22 | 1,000 | 28,000 |
| | | 3,196,206 | 3,053,406 |
| Total net assets | | 3,196,206 | 3,053,406 |
| Capital and reserves | | | |
| Retained Earnings | | 3,196,206 | 3,053,406 |
| Total Capital and Reserves | | 3,196,206 | 3,053,406 |

The financial statements on pages 16 to 38 were approved and authorised for issue by the Board of Trustees on 5 September 2019 and are signed on its behalf by:-

A Holland
Trustee



D Scott
Trustee



The notes on pages 20 to 38 form part of these financial statements.

Society of St James

Cash flow statement for the year ended 31 March 2019

| | Notes | 2019 £ | 2018 £ |
|--|-------------|--------------------|------------------|
| Net cash generated from operating activities | 23 | 53,129 | 53,282 |
| Cash flow from investing activities | | | |
| Acquisition, construction and works to tangible fixed assets | (3,678,532) | (990,365) | |
| Grants received | 1,142,500 | 287,500 | |
| Net cash used in investing activities | | (2,536,032) | (702,865) |
| Cash flow from financing activities | | | |
| New loans | 2,137,500 | 412,000 | |
| Loans repaid | (64,419) | (56,904) | |
| Interest paid | (42,007) | (27,333) | |
| Interest received | 9,288 | 11,141 | |
| Net cash generated in financing activities | | 2,040,362 | 338,904 |
| Decrease in cash and cash equivalents | | (442,541) | (310,679) |
| Cash and cash equivalents at beginning of year | | 884,163 | 1,194,842 |
| Cash and cash equivalents at end of year | | <u>441,622</u> | <u>884,163</u> |

Society of St James

Notes forming part of the financial statements for the year ended 31 March 2019

1 Accounting policies

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

Basis of accounting

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

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

At the time of approving the financial statements, the Trustees have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus, the Trustees continue to adopt the going concern basis for accounting in preparing the financial statements

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

These financial statements are single entity statements and not consolidated group accounts. Consolidation is not required as the other group member, Jamie's Computers Limited, was dormant throughout the reporting period.

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

1.1 *Significant judgements and estimates*

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

Significant management judgements

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

1.1a *Identification of housing property components*

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

Estimation uncertainty

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

1.1b *Goodwill*

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

Society of St James

Notes forming part of the financial statements for the year ended 31 March 2019

1 Accounting policies (continued)

1.1c *Bad debt provision*

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

1.1d *Useful lives of depreciable assets*

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

1.1e *Deemed Cost*

In the year to 31 March 2015 the Society elected to recognise its head office premises at deemed cost as allowed in transitional adjustments to adopting FRS102. A Board member with appropriate professional expertise approved the valuation that was used but this was not market tested and therefore is an estimate that was not externally verified.

1.1f *Dilapidations*

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

1.1g *Multi-employer pension obligation*

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

1.1h *Local Government Pension Scheme (LGPS) Valuations*

The Society of St James is an admitted body to the Hampshire LGPS following transfers of staff formerly working in the public sector. The scheme actuaries estimate the liabilities of the Hampshire LGPS using a number of key assumptions including rates of inflation; mortality; discount rate; and future salary increases. Variances in these assumptions may impact the pension liability and annual expense.

1.1i *Housing Property Values*

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

Society of St James

Notes forming part of the financial statements for the year ended 31 March 2019

1 Accounting policies (continued)

1.2 Turnover

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

1.3 Interest Payable

Interest payable on loan finance during the development of new property assets is capitalised as a development cost of the new asset for which the loan was drawn. All other Interest Payable is charged to the Statement of Comprehensive Income in the year to which it relates

1.4 Goodwill

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

1.5 Housing properties

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

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

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

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

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

1.6 Leasehold property and leasehold improvements

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

1.7 Other freehold property

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

Society of St James

Notes forming part of the financial statements for the year ended 31 March 2019

1 Accounting policies (continued)

1.8 Other fixed assets

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

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

1.9 Capital Grants – Housing Property

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

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

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

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

1.10 Capital Grants – Other fixed assets

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

1.11 Revenue Grants

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

1.12 Investments

Investments are valued at current market value with changes in value from year to year being recognised within the Statement of Comprehensive Income.

1.13 Operating leases

Annual rentals under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the term of the lease. The aggregate benefits of any lease incentive are recognised as a reduction in expenses over the term of the lease

Society of St James

Notes forming part of the financial statements for the year ended 31 March 2019 (Continued)

1 Accounting policies (continued)

1.14 Pension costs

The Society operates a number of pension arrangements for its employees.

Pensions Trust – Defined Contribution

The Society operates a defined contribution scheme through The Pensions Trust. The accounting charge for the period represents the employer contribution payable.

Pensions Trust Growth Plan – Defined Benefit

The Growth Plan is a multi-employer defined benefit scheme through The Pensions Trust.

It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to individual participating employers. Accordingly, due to the nature of the scheme, the accounting charge for the period under FRS102 represents the employer contribution payable.

The scheme currently has a shortfall of assets compared to liabilities and a deficit payment plan which has been agreed between the participating employers and Trustee of the scheme. In line with FRS102 requirements, this cash payment plan has been recognised as a liability in the Statement of Financial Position and is measured at the reporting date by discounting the future cash outflows at the rate of AA corporate bond. The unwinding of this discounting is recognised as a finance charge in the period to which it relates.

Hampshire County Council Pension Fund

The Society participates in a defined benefit pension scheme which provides benefits based on final pensionable salary. The assets of the scheme are held by the Hampshire County Council Superannuation Fund.

The pension costs relating to the scheme are accounted for in accordance with FRS102. Current service costs and interest costs relating to the net defined obligation are included in the income statement in the period to which they relate. When applicable, actuarial gains and losses as well as any other re measurements are recognised in other comprehensive income.

1.15 Provisions

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

1.16 Taxation

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

1.17 Value added tax

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

Society of St James

Notes forming part of the financial statements for the year ended 31 March 2019 (Continued)

1.18 *Financial Instruments*

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

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

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

Interest bearing bank loans, overdrafts and other loans which meet the criteria to be classified as basic financial instruments are initially recorded at the present value of cash payable to the bank, which is ordinarily equal to the proceeds received net of direct issue costs. These liabilities are subsequently measured at amortised cost, using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial asset or liability or, where deemed appropriate, a shorter period to the net carrying amount on initial recognition.

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

1.19 *Cash and Cash Equivalents*

Cash and cash equivalents includes cash in hand and bank deposits with maturities of up to three months.

1.20 *Development staff costs*

Where staff costs are directly attributable to the development of new property assets these costs will be capitalised as a development cost of the new asset. No staff costs have been capitalised during the year to 31 March 2019

Society of St James

Notes forming part of the financial statements
for the year ended 31 March 2019 (Continued)

| 2 Operating surplus | 2019 | 2018 |
|---|-------------|-------------|
| | £ | £ |
| <i>Operating surplus is stated after charging:</i> | | |
| Depreciation | | |
| - housing properties | 119,221 | 89,828 |
| - other fixed assets | 141,156 | 114,973 |
| Amortisation of goodwill | 6,500 | 6,500 |
| Auditors' remuneration | | |
| - as auditors (including VAT and expenses) | 13,739 | 11,275 |
| - other services | 1,050 | 1,247 |
| Rent losses from bad debts | | |
| - rent (net of service charges) | 12,311 | 36,071 |
| - service charges | 10,094 | 28,446 |
| Operating lease costs | | |
| - land and buildings | 664,070 | 636,161 |
| | 2019 | 2018 |
| | £ | £ |
| | | |
| 3 Income and Expenditure from Social Housing Activities | 2019 | 2018 |
| | £ | £ |
| Income | | |
| Rent receivable net of identifiable service charges and voids | 2,396,304 | 2,235,743 |
| Service charges receivable | 1,483,292 | 1,327,422 |
| Revenue and capital grants relating to lettings | 1,957,936 | 2,133,885 |
| Revenue and capital grants from other social housing activities | 4,304,105 | 4,035,920 |
| | | |
| Turnover from social housing activities | 10,141,637 | 9,732,970 |
| Social housing activity expenditure relating to lettings | 5,512,488 | 5,509,381 |
| Other social housing activity expenditure | 4,514,553 | 4,039,953 |
| | | |
| Total expenditure on social housing activity | 10,027,041 | 9,549,334 |
| | | |
| Operating surplus from social housing activities | 114,596 | 183,636 |
| | | |
| Void losses | 203,823 | 309,224 |
| | | |
| | | |
| 4 Staff costs | 2019 | 2018 |
| | £ | £ |
| Wages and salaries | 5,393,169 | 5,239,125 |
| Employer National Insurance Contributions | 418,282 | 406,444 |
| Employer pension contribution costs | 349,162 | 266,171 |
| | | |
| | 6,160,613 | 5,911,740 |
| | | |

Company pension scheme contributions are made to pension schemes operated on the company's behalf by TPT retirement solutions (formerly the Pensions Trust) and Hampshire County Council.

Society of St James

Notes forming part of the financial statements for the year ended 31 March 2019 (Continued)

4 Staff costs (continued)

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

| | 2019 Number | 2018 Number |
|---------------------|----------------|----------------|
| Housing and support | 121 | 116 |
| Substance misuse | 68 | 71 |
| Social enterprise | 9 | 9 |
| Finance | 6 | 6 |
| Administration | 16 | 15 |
| | 220 | 217 |
| | 220 | 217 |

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

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

| | 2019 £ | 2018 £ |
|---|-----------|-----------|
| Wages and salaries | 260,787 | 255,989 |
| Employer National Insurance Contributions | 30,114 | 29,687 |
| Employer pension contribution costs | 37,909 | 37,249 |
| | 328,810 | 322,925 |
| | 328,810 | 322,925 |
| Remuneration payable to the highest paid Director excluding pension | 70,579 | 69,195 |
| | 70,579 | 69,195 |

For the year ended 31 March 2019 the number of employees whose annual emoluments including pension contributions were £60,000 or more were:

| | 2019 | 2018 |
|--------------------|------|------|
| £70,000 to £80,000 | - | 1 |
| £80,000 to £90,000 | 1 | - |
| | 1 | 1 |
| | 1 | 1 |

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

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

Society of St James

Notes forming part of the financial statements
for the year ended 31 March 2019 (Continued)

6 Interest receivable and similar income

| | 2019 £ | 2018 £ |
|---|-----------|-----------|
| Interest receivable and investment income | 9,288 | 11,141 |
| | 9,288 | 11,141 |

7 Interest payable

| | 2019 £ | 2018 £ |
|--|-----------|-----------|
| Mortgage interest | 50,992 | 25,128 |
| Unwinding of discount factor in respect of the pension growth plan | 2,513 | 2,205 |
| Less capitalised interest | (8,985) | - |
| | 44,520 | 27,333 |

8 Tax on surplus on ordinary activities

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

9 Housing property held for lettings

| | Leasehold land and property £ | Freehold land and property £ | Total £ |
|------------------------------|--|---------------------------------------|------------|
| <i>Cost</i> | | | |
| At 1 April 2018 | 542,726 | 4,279,579 | 4,822,305 |
| Additions: new properties | 912,869 | 2,610,555 | 3,523,424 |
| works to existing properties | 2,186 | 27,866 | 30,052 |
| | 1,457,781 | 6,918,000 | 8,375,781 |
| <i>Depreciation</i> | | | |
| At 1 April 2018 | 150,911 | 879,885 | 1,030,796 |
| Charge for the year | 13,475 | 105,746 | 119,221 |
| | 164,386 | 985,631 | 1,150,017 |
| <i>Net book value</i> | | | |
| At 31 March 2019 | 1,293,395 | 5,932,369 | 7,225,764 |
| At 31 March 2018 | 391,815 | 3,399,694 | 3,791,509 |

Society of St James

Notes forming part of the financial statements for the year ended 31 March 2019 (*Continued*)

| 10 Intangible assets | Goodwill £ |
|--|---------------|
| Cost at 1 April 2018 and 31 March 2019 | 130,000 |
| <i>Amortisation</i> | |
| At 1 April 2018 | 71,500 |
| Charge for the year | 6,500 |
| At 31 March 2019 | 78,000 |
| <i>Net Book Value</i> | |
| At 31 March 2019 | 52,000 |
| At 31 March 2018 | 58,500 |

| 11 Other fixed assets | Freehold Property £ | Leasehold Improve- ments £ | Motor vehicles £ | Office Equipment £ | Housing Equipment £ | Total £ |
|-----------------------|---------------------------|-------------------------------------|------------------------|--------------------------|---------------------------|------------|
| <i>Cost</i> | | | | | | |
| At 1 April 2018 | 237,100 | 533,419 | 74,289 | 254,394 | 255,777 | 1,354,979 |
| Additions | - | 43,488 | 3,600 | 44,828 | 33,139 | 125,055 |
| Disposals | - | (167,751) | (16,050) | (137,652) | (29,946) | (351,399) |
| Transfers | - | (4,011) | 4,011 | - | - | - |
| At 31 March 2019 | 237,100 | 405,145 | 65,850 | 161,570 | 258,970 | 1,128,635 |
| <i>Depreciation</i> | | | | | | |
| At 1 April 2018 | 17,058 | 364,507 | 52,644 | 216,047 | 184,247 | 834,503 |
| Charge for the year | 3,509 | 70,458 | 9,535 | 26,963 | 30,691 | 141,156 |
| Disposals | - | (167,751) | (16,050) | (137,652) | (29,946) | (351,399) |
| Transfers | - | (4,011) | 4,011 | - | - | - |
| Sum | | | | | | |
| At 31 March 2019 | 20,567 | 263,203 | 50,140 | 105,358 | 184,992 | 624,260 |
| <i>Net book value</i> | | | | | | |
| At 31 March 2019 | 216,533 | 141,942 | 15,710 | 56,212 | 73,978 | 504,375 |
| At 31 March 2018 | 220,042 | 168,911 | 21,645 | 38,348 | 71,530 | 520,476 |

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

| | 2019 £ | 2018 £ |
|------------------------|-----------|-----------|
| Cost | 295,609 | 295,609 |
| Aggregate depreciation | (88,701) | (84,955) |
| Depreciated cost | 206,908 | 210,655 |

Society of St James

Notes forming part of the financial statements for the year ended 31 March 2019 (Continued)

| 12 Investments | Listed £ | Unlisted £ | 2019 £ | 2018 £ |
|---|----------------|---------------|----------------|----------------|
| <i>Cost or valuation</i> | | | | |
| Valuation at 1 April 2018 | 170,113 | 10,000 | 180,113 | 173,488 |
| Unrealised gain in year | 7,580 | - | 7,580 | 6,625 |
| | | | | |
| Cost or Valuation at 31 March 2019 | <u>177,693</u> | <u>10,000</u> | <u>187,693</u> | <u>180,113</u> |
| | | | | |
| Historic Cost at 1 April 2018 and 31 March 2019 | <u>79,788</u> | <u>10,000</u> | <u>89,788</u> | <u>89,788</u> |

All listed fixed asset investments are stated at market value. The unlisted investment is held at cost and represents 100% of the share capital of Jamie's Computers Limited. Jamie's Computers Limited has its registered office at 125 Albert Road South, Southampton, SO14 3FR. Jamie's Computers was dormant throughout the 3 periods from 1 April 2016 to 31 March 2019. Jamie's Computers Limited had £10,000 of unpaid share capital and £9,500 reserves at 31 March 2018 and 31 March 2019.

| 13 Debtors | 2019 £ | 2018 £ |
|---|------------------|----------------|
| Trade | 350,527 | 427,118 |
| Debtors: Rent and service charge | (115,864) | (166,880) |
| Less Provision for doubtful debts | 234,663 | 260,238 |
| Rent and service charge (net of provision for doubtful debts) | 733,356 | 527,709 |
| Sales (net of provision for doubtful debts) | - | 62,500 |
| Grants receivable | 5,605 | 4,071 |
| Other debtors | 161,751 | 124,693 |
| Prepayments and accrued income | | |
| | <u>1,135,375</u> | <u>979,211</u> |

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

| 14 Creditors: Amounts falling due within one year | 2019 £ | 2018 £ |
|---|------------------|------------------|
| Secured mortgage | 65,381 | 65,139 |
| Trade creditors | 490,251 | 515,696 |
| Grants in advance | 140,305 | 175,530 |
| Taxation and social security | 122,462 | 104,136 |
| Intercompany creditor (Jamies Computers Ltd) | 10,000 | 10,000 |
| Other creditors | 260,685 | 321,208 |
| Accruals and deferred income | 150,963 | 141,113 |
| Pension creditor (TPT) | 22,316 | 20,088 |
| Deferred capital grant (Note 16) | 49,434 | 15,542 |
| | <u>1,311,797</u> | <u>1,368,452</u> |

Included within Grants in advance is £15,610 (2018: £2,049) from the Big Lottery Grant fund relating to their support of the Society's Saints4Sport project and £9,119 (2018 £8,978) relating to the Re:Fit project.

Society of St James

Notes forming part of the financial statements for the year ended 31 March 2019 *(Continued)*

| 15 Creditors: Amounts falling due after more than one year | 2019 £ | 2018 £ |
|--|-----------|-----------|
| Deferred capital grant (note 16) | 1,638,985 | 614,112 |
| Secured mortgages | 3,285,833 | 1,212,994 |
| Pension creditor | 113,008 | 137,008 |
| | 5,037,826 | 1,964,114 |
| | 5,037,826 | 1,964,114 |

The mortgages are repaid on a monthly basis over terms ranging from 20 to 30 years. Rates are either variable with a margin over Bank of England base rate or LIBOR, or fixed. The remaining terms on these loans are between 9 and 25 years.

A variable rate of interest was charged on £3,223,013 of mortgage balances (2018 £1,144,871). The variables rates applied are LIBOR + 0.65% on £409,822 of the mortgage balance (2018 £439,200); Bank of England (BoE) base rate + 3% £285,804 (2018 £300,643) ; Bank of England (BoE) base rate + 2.53% £389,887 (2018 £405,028); Bank of England (BoE) base rate + 2% £2,137,500 (2018 £0)

A fixed rate of 3.73% was charged on £128,201 of mortgage balances (2018 £133,262)

The mortgages are secured by fixed charges over 20 of the Society's properties.

The mortgages are repayable as follows:

| | 2019 £ | 2018 £ |
|---|-----------|-----------|
| In less than one year | 65,381 | 65,139 |
| In more than one year but less than two years | 102,045 | 66,505 |
| In more than two years but less than five years | 405,006 | 209,842 |
| In more than five years | 2,778,782 | 936,647 |
| | 3,351,214 | 1,278,133 |
| | 3,351,214 | 1,278,133 |

Society of St James

Notes forming part of the financial statements for the year ended 31 March 2019 (Continued)

| 16 Deferred Capital Grant | 2019 £ | 2018 £ |
|--|-----------|-----------|
| At 1 April | 629,654 | 289,441 |
| Grant received in year | 1,080,000 | 350,000 |
| Released to income in the year | (21,235) | (9,787) |
| | 1,688,419 | 629,654 |
| Amounts to be released within one year | 49,434 | 15,542 |
| Amounts to be released in more than one year | 1,638,985 | 614,112 |
| | 1,688,419 | 629,654 |

17 Financial Instruments

The company had the following Financial Instruments in place, all are classified as Basic Financial Instruments.

| | 2019 £ | 2018 £ |
|---|-----------|-----------|
| Financial Assets | | |
| Measured as undiscounted amount receivable | | |
| Trade debtors including rent arrears, grants receivable and other debtors | 973,624 | 854,518 |
| | 973,624 | 854,518 |
| Financial Liabilities | | |
| Measured as undiscounted amount payable | | |
| Trade creditors, Intercompany creditor, Other creditors and accruals | 911,899 | 988,017 |
| Measured at amortised cost | | |
| Secured mortgages (see note 15) and Pension liability (see notes 14, 15 and 22) | 3,486,538 | 1,435,229 |
| | 4,398,437 | 2,423,246 |

Trade debtors include rent arrears of £234,663 (2018 £260,238) which all are recognised at their original cost due to their being payable on standard business terms.

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

The secured mortgages consist of 10 loans with 3 recognised major financial institutions as detailed in note 15. Nine of the loans are basic instruments as they refer to a single observable rate plus a fixed amount of interest whilst one of the loans has a fixed rate for 10 years before moving to a similar scenario to the other 9 loans. The specific dates and terms of the loans are described in note 15.

Society of St James

Notes forming part of the financial statements for the year ended 31 March 2019 (Continued)

18 Commitments

Capital commitments

At 31 March 2019 the Board of Trustees had approved and signed a contract to acquire a 9 bedroom property in Southampton for the amount of £425,000 which will be part funded by way of additional mortgage lending with the Charity Bank (completed April 2019). At 31 March 2018 the Board of Trustees had approved and signed contracts to acquire two properties, a 3 bedroom flat Southampton for the amount of £125,000 (completed June 2018) and a 6 bedroom house in Aldershot for the amount of £355,000 (completed 31 July 2018).

19 Housing stock

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

| | 2019 | 2018 |
|------------------------|------------|------------|
| Leased supported units | 295 | 276 |
| Owned supported units | 164 | 143 |
| | <u>459</u> | <u>419</u> |

20 Legislative provisions

Society of St James is a company limited by guarantee and is registered with the Charity Commission and the Regulator of Social Housing.

21 Commitments under operating leases

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

| | Land and buildings | |
|--------------------------------|--------------------|------------------|
| | 2019 | 2018 |
| | £ | £ |
| Operating leases which expire: | | |
| Within one year | 656,989 | 639,315 |
| In two to five years | 1,510,575 | 1,597,230 |
| After five years | 255,614 | 122,730 |
| | <u>2,423,178</u> | <u>2,359,275</u> |

22 Pension Scheme

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

Society of St James

Notes forming part of the financial statements for the year ended 31 March 2019 (Continued)

22 Pension Scheme (continued)

All schemes, apart from the Growth Plan (the scheme), are defined contribution schemes. The company participates in the scheme, a multi-employer scheme which provides benefits to some 950 non-associated participating employers.

The scheme is a defined benefit scheme in the UK. It is not possible for the company to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it accounts for the scheme as a defined contribution scheme.

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

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

A full actuarial valuation for the scheme was carried out at 30 September 2017. This valuation showed assets of £794.9m, liabilities of £926.4m and a deficit of £131.5m. To eliminate this funding shortfall, the Trustee has asked the participating employers to pay additional contributions to the scheme as follows

Deficit contributions required from the Society of St James from 1 April 2018 to 30 September 2025 were set at £20,244.24 per annum (payable monthly and increasing by 3% each on 1st April). From 1 April 2019 the deficit contributions required from the Society of St James increased to £22,476.49 per annum with the end date for contributions being brought forward to 31 January 2025

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

| <i>Present Values of Provision</i> | 2019 | 2018 | 2017 |
|--|-------------|-------------|-------------|
| | £ | £ | £ |
| Present Value of Provision | 135,325 | 157,096 | 176,852 |
| | | | |
| <i>Reconciliation of Opening and Closing Provisions</i> | | 2019 | 2018 |
| | | £ | £ |
| Provision at start of period | | 157,096 | 176,852 |
| Unwinding of the discount factor (interest expense) | | 2,513 | 2,205 |
| Deficit contributions paid | | (20,244) | (19,655) |
| Remeasurements – impact of any change in assumptions | | 1,237 | (2,306) |
| Remeasurements – amendments to the contribution schedule | | (5,277) | - |
| Provision at end of period | | 135,325 | 157,096 |
| | | | |
| <i>Income and Expenditure Impact</i> | | 2019 | 2018 |
| | | £ | £ |
| Interest expense | | 2,513 | 2,205 |
| Remeasurements – impact of any change in assumptions | | 1,237 | (2,306) |
| Remeasurements – amendments to the contribution schedule | | (5,277) | - |

Society of St James

Notes forming part of the financial statements for the year ended 31 March 2019 (Continued)

22 Pension Scheme (continued)

| <i>Assumptions</i> | 2019 | 2018 | 2017 |
|--------------------|-------------|-------------|-------------|
| | % | % | % |
| Rate of discount | 1.39 | 1.71 | 1.32 |

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

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

| | 2019 | 2018 | 2017 |
|---------|-------------|-------------|-------------|
| | £ | £ | £ |
| Year 1 | 22,458 | 20,244 | 19,655 |
| Year 2 | 23,131 | 20,852 | 20,244 |
| Year 3 | 23,825 | 21,477 | 20,852 |
| Year 4 | 24,540 | 22,121 | 21,477 |
| Year 5 | 25,276 | 22,785 | 22,121 |
| Year 6 | 21,695 | 23,469 | 22,785 |
| Year 7 | - | 24,173 | 23,469 |
| Year 8 | - | 12,449 | 24,173 |
| Year 9 | - | - | 12,449 |
| Year 10 | - | - | - |

Hampshire County Council Pension Fund

The Society commenced participation in the Local Government Pension Scheme (LGPS) administered by Hampshire County Council on 1 November 2016.

The disclosures below relate to the funded liabilities within the Hampshire County Council Pension Fund (the "Fund") which is part of the Local Government Pension Scheme (the "LGPS").

The funded nature of the LGPS requires participating employers and their employees to pay contributions into the Fund, calculated at a level intended to balance the pension liabilities with investment assets. The last actuarial valuation was at 31 March 2016 and the contributions to be paid until 31 March 2020 resulting from that valuation are set out in the Fund's Rates and Adjustment Certificate.

The Fund Administering Authority, Hampshire County Council is responsible for the governance of the Fund.

The assets allocated to the Employer in the Fund are notional and are assumed to be invested in line with the investments of the Fund for the purposes of calculating the return to be applied to those notional assets over the accounting period. The Fund is large and holds a significant proportion of its assets in liquid investments. As a consequence, there will be no significant restriction on realising assets if a large payment is required to be paid from the Fund in relation to an employer's liabilities. The assets are invested in a diversified spread of investments and the approximate split of assets for the Fund as a whole is shown in the disclosures.

The Administering Authority may invest a small proportion of the Fund's investments in the assets of some of the employers participating in the Fund if it forms part of their balanced investment strategy.

Society of St James

Notes forming part of the financial statements for the year ended 31 March 2019 (Continued)

22 Pension Scheme (continued)

| | 31 March 2019 (£000s) | 31 March 2018 (£000s) |
|--|--------------------------|--------------------------|
| Reconciliation of funded status to Balance Sheet | | |
| Fair value of assets | 650 | 504 |
| Present value of funded defined benefit obligation | (651) | (532) |
| Funded status | (1) | (28) |
| (Liability) recognised on balance sheet | (1) | (28) |

The key actuarial assumptions on which the Scheme Actuary's calculations are based are as follows:

| | 31 March 2019 % per annum | 31 March 2018 % per annum |
|--------------------------------------|------------------------------|------------------------------|
| Discount Rate | 2.5 | 2.6 |
| RPI inflation | 3.2 | 3.1 |
| CPI inflation | 2.1 | 2.0 |
| Pension increases | 2.1 | 2.0 |
| General Pay inflation | 3.6 | 3.5 |
| Pension accounts rate of revaluation | 2.1 | 2.0 |

Mortality Assumptions

The mortality assumptions are based on the recent actual mortality experience of members within the Fund and allow for expected future mortality improvements. Sample life expectancies at 65 resulting from these mortality assumptions are shown below.

| Assumed Life expectancy at 65 | 2019 | 2018 |
|--------------------------------------|-------------|-------------|
| Male | | |
| Member aged 65 at accounting date | 23.3 | 24.1 |
| Member aged 45 at accounting date | 24.9 | 26.2 |
| Female | | |
| Member aged 65 at accounting date | 26.1 | 27.2 |
| Member aged 45 at accounting date | 27.8 | 29.3 |

| Asset allocation in the scheme is as follows: | 2019 % | 2018 % |
|--|------------------|------------------|
| Equities | 60.4 | 62.6 |
| Property | 7.6 | 7.0 |
| Government bonds | 22.7 | 23.7 |
| Corporate bonds | 5.2 | 1.0 |
| Cash | 2.3 | 2.6 |
| Other | 1.8 | 3.1 |
| Total | 100.0 | 100.0 |

Society of St James

Notes forming part of the financial statements
for the year ended 31 March 2019 (Continued)

22 Pension Scheme (continued)

| Amounts recognised in Income Statement | 2019 £'000 | 2018 £'000 |
|--|---------------|---------------|
| Operating cost | | |
| Current service cost | 88 | 97 |
| | <hr/> | <hr/> |
| Expense recognised in Income Statement | 88 | 97 |
| | <hr/> | <hr/> |
| | | |
| Amounts recognised in other Comprehensive Income | 2019 £'000 | 2018 £'000 |
| Asset gains/ (losses) arising during the period | 39 | 2 |
| Liability gains/ (losses) arising during the period | (3) | (18) |
| | <hr/> | <hr/> |
| Total amount recognised in other Comprehensive Income | 36 | (16) |
| | <hr/> | <hr/> |
| | | |
| Changes to present value of the defined benefit obligation | 2019 £'000 | 2018 £'000 |
| Opening defined benefit obligation | 532 | 392 |
| Current service cost | 88 | 97 |
| Interest expense on defined benefit obligation | 14 | 11 |
| Contributions by participants | 16 | 16 |
| Actuarial (gains)/ losses on liabilities | 3 | 18 |
| | (2) | (2) |
| Net benefits paid out | <hr/> | <hr/> |
| Closing defined benefit obligation | 651 | 532 |
| | <hr/> | <hr/> |
| | | |
| Changes to the fair value of assets | 2019 £'000 | 2018 £'000 |
| Opening fair value of assets | 504 | 392 |
| Interest income on assets | 14 | 11 |
| Remeasurement gains/ (losses) on assets | 39 | 2 |
| Contributions by employer | 79 | 85 |
| Contributions by participants | 16 | 16 |
| Net benefits paid out | (2) | (2) |
| | <hr/> | <hr/> |
| Closing fair value of assets | 650 | 504 |
| | <hr/> | <hr/> |

Society of St James

Notes forming part of the financial statements
for the year ended 31 March 2019 (Continued)

22 Pension Scheme (continued)

| Actual Return on Assets | 2019 £'000 | 2018 £'000 |
|--------------------------------|---------------|---------------|
| Interest income on assets | 14 | 11 |
| Gain/ (loss) on assets | 39 | 2 |
| Actual return on assets | 53 | 13 |

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

| | 2019 £ | 2018 £ |
|---|---------------|---------------|
| Operating surplus | 134,452 | 159,910 |
| Amortisation of intangible fixed asset | 6,500 | 6,500 |
| Amortisation of deferred capital grant | (21,235) | (9,787) |
| Depreciation of tangible fixed assets | 260,377 | 204,801 |
| Increase in debtors (excl. capital grant receivable) | (218,664) | (361,464) |
| (Decrease)/Increase in creditors (excl. deferred capital grant) | (117,301) | 41,322 |
| Pension scheme adjustment | 9,000 | 12,000 |
| Net cash inflow from operating activities | 53,129 | 53,282 |

24 Related party transactions

Related party transactions have been recorded during the year between a member of Senior Staff and his brother-in-law, with the brother-in-law providing Handyman maintenance services to the Society. The total expenditure with the related party during the year was £39,469 (2018 £44,580). No other related party transactions have occurred with regards to the Trustees and Senior Staff as listed on page 1 of these accounts, other than remuneration paid to Key Management Personnel set out in note 5.

25 Controlling party

At 31 March 2019 the ultimate controlling party was the Trustees and Directors of the Society of St James.