

Company Registered number 08225808
Regulator of Social Housing number LH0279
Charity number 1149085

St Mungo Community Housing Association
(A company limited by guarantee)

ANNUAL REPORT AND FINANCIAL STATEMENTS
For the year ended 31 March 2022

**ST MUNGO COMMUNITY HOUSING ASSOCIATION REPORT AND FINANCIAL STATEMENTS FOR THE
YEAR ENDED 31 MARCH 2022**

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TRUSTEES AND ADVISORS

Board of Trustees: The Board of Trustees is the governing body of St Mungo Community Housing Association (St Mungo's). The Trustees are also the directors of the Association for the purpose of Company Law.

Trustees

Joanna Killian (Chair from 30 September 2021)
Tracy Allison
Rolande Anderson
Alexandra Beidas
Daniel Corry
Timothy Gadd
Darren Johnson (appointed 25 May 2021)
Robert Napier (CBE) (resigned 29 September 2021)
Teddy Nyahasha (appointed 25 May 2021)
Mark Pears (resigned 27 May 2022)
Susmita Sen (resigned 6 May 2022)
Bontle Senne
Stephen Smith (appointed 25 May 2021)
Helen Walters
John Watts

Company Secretary

Louise Wykes

Executive Officers

Steve Douglas - Chief Executive (deceased 8 May 2022)
Rebecca Sycamore - Executive Director of Development (appointed Interim Chief Executive May 2022)
Ranjeet Bhupla – Executive Director of IT and Transformation (appointed August 2021, resigned June 2022)
David Fisher - Executive Director of Services
Alison Muir – Executive Director of Housing (appointed August 2021)
Helen Giles - Executive Director of People and Governance (resigned 30 June 2021)
Jonathan Manuel – Executive Director of Finance (appointed July 2021)
Reta Robinson – Interim Executive Director of Development and Strategy (appointed May 2022)
Sonia Smith - Executive Director of Finance (retired 28 May 2021)

Registered Office

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London
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Auditors

RSM UK Audit LLP
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Victoria Road South
Chelmsford
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CM1 1LN

Principal Solicitors

Ashfords LLP
1 New Fetter Lane
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EC4A 1AN

Bankers

HSBC
123 Chancery Lane
London
WC2A 1QH

Company No.

08225808

Charity No.

1149085

Regulator of Social Housing Registration No.

LH0279

CHAIR'S STATEMENT

This is my first Chair's statement, having stepped into the role of Chair of Trustees in September 2021. Having been on the Board for several years prior to this, the hard work and dedication of everyone across the organisation did not come as a surprise to me. I would like to say a huge thank you to all of the staff and volunteers who have gone above and beyond to continue our services, keep our clients safe and drive our organisational strategy forward.

St Mungo's has never been an organisation to shy away from a challenge and this year has been no different. April 2021 saw us embark on the first year of our new five-year strategic plan, with our key ambition to end rough sleeping in England by 2026.

Our vision is being delivered through three strands of overarching work: delivering services, creating public empathy and understanding, and influencing policy. Our services help thousands of people every year, working with those already experiencing homelessness, those at risk of homelessness and those who are on their journey of recovery from homelessness. But we must ensure people know who we are and the positive impact we can have in empowering people to transform their lives, which is why our work to raise our profile and to ensure our expertise continues to be heard in Government so we can help to shape housing policy is equally as important.

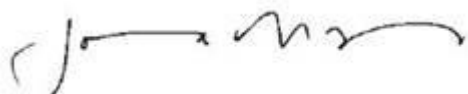
Despite 2021 being another challenging year as we moved through the phases of the coronavirus pandemic (Covid-19), we have made great progress in each of these areas, in particular through our work on the Kerslake Commission on Homelessness and Rough Sleeping. The Kerslake Commission was aimed at looking at the lessons that could be learned from the pandemic, particularly through different agencies working together. St Mungo's, acting as the secretariat to the commission, published two reports which achieved broad reach and awareness, engaging Local Authorities, health, housing and the homelessness sector, and achieving high levels of input from ministers and civil servants. The Kerslake Commission has been an opportunity to showcase St Mungo's as a thought leader as well as raising the organisation's profile. Since the report was launched in 2021, out of the 24 recommendations directed at the Government, to date 8 have been achieved and 3 partly met. This is a huge testament to the work of the commission, but in particular to the late Steve Douglas, who at the time was our CEO and a driving force behind this work. Sadly he passed away unexpectedly in May and never got to see the full fruition of his hard work. The achievements of this last year are dedicated to him.

Although we have made progress, we are facing challenges in the year ahead. We are in the middle of an escalating cost of living crisis, which we know will hit the most vulnerable people in our communities the hardest and there will no doubt be other emerging issues for us to respond to.

Looking ahead, we will be piloting approaches to prevention that build on the learning from existing service models such as Somewhere Safe to Stay and No First Night Out, and implementing our new Criminal Justice strategy. We will also be focusing on how we can best support people leaving our accommodation, and will be implementing our strategic delivery plan for Move On, including rolling out a Move On toolkit and developing our Move On training.

Our efforts will continue to focus on increasing public recognition of our work – one such opportunity is through showcasing our Putting Down Roots (PDR) garden at the RHS Chelsea Flower Show in May. We will also drive forward further action on the key recommendations made in the Kerslake Commission, with a first year report due in the autumn, which will rate progress against each recommendation.

Guided by our strategy, St Mungo's will continue to make itself an agile, resilient organisation so we can cope with whatever is thrown at us. Whatever we face, St Mungo's will continue to do what we can, 365 days a year, to support those who are homeless or at risk of homelessness.



Joanna Killian
Chair, 22 September 2022

STRATEGIC REPORT

The Trustees present the annual report and the audited financial statements for the year ended 31 March 2022. The financial position and results for the year are set out on pages 22 - 49 of these statements.

PRINCIPAL ACTIVITIES

St Mungo's is a leading homelessness charity with national influence. Working in partnership with local authorities, health colleagues and communities, our mission is to end homelessness and rebuild lives. We do this through:

- Supporting people experiencing homelessness and those who are at risk of homelessness,
- Increasing public understanding and empathy, and
- Advocating for policy change.

St Mungo's work in 2021-22 was shaped by the five year strategic plan for 2021-26 and our ambition is to end rough sleeping in England by 2026. We aim to deliver this ambition through each strand of our mission: delivering services, creating public empathy and understanding, and influencing policy.

Delivering services

In order to end rough sleeping we need to prevent it where possible, to reduce the number of people coming onto the streets, to provide effective support to those who are on the streets and to make sure the people we help are able to maintain accommodation and do not return to sleeping on the streets.

- In 2021-22, the number of people seen rough sleeping in the areas St Mungo's work has decreased by 2.9%.
- 80% of the people our outreach teams supported into accommodation from July to December 2021 had not been seen sleeping rough again by the end of March 2022.
- 87% of the people who left our accommodation in the last six months of 2021 had not been seen rough sleeping again by the end of March 2022.

Creating public empathy and understanding

Almost half of the public are 'very confident' that rough sleeping can be ended. To educate them about helping people experiencing rough sleeping, we engaged with audiences through awareness campaigns through 2021-22. Our HomelessWise campaign informed the public about how they can help people on the streets. The work of our Social Impact Bonds services highlighted our support towards people with long histories of rough sleeping. Countless stories of our work were equally promoted across social and traditional media. More than 78,400 people followed our social media channels, a 6.8% year on year increase, and we achieved 141,000 press mentions.

- 49% of the public believe that rough sleeping can be ended in England.
- 1% of the public have heard of St Mungo's unprompted, this is an area we want to improve on over the next four years as we increase our public profile.

Influencing policy

We continue to provide expert advice to numerous consultations about homelessness and related issues. We responded to nine consultations this year and have seen take up of our key policy recommendations in a number of areas.

In September 2021, the Kerslake Commission (for which St Mungo's acts as secretariat) published a report which made 48 recommendations for central Government, local authorities, homelessness organisations, housing providers and health organisations.

Of 48 recommendations made by the Kerslake commission:

- 12 have been achieved so far.
- 2 out of 5 recommendations made by the Kerslake commission for Health bodies have resulted in endorsement and action.

St Mungo's also advised on the NICE guidelines on 'Integrated health and social care for people experiencing homelessness' which were published in March. St Mungo's submitted a response to the draft guidelines and we were pleased to see that the final guidelines adopted more than half of the recommended changes we set out, including important additions on palliative care and frailty. These guidelines set the standards health providers are held to in providing care for our clients.

KEY MISSION AND PUBLIC BENEFIT

St Mungo's vision is that everyone has a place to call home and can fulfil their hopes and ambitions.

St Mungo's is a registered charity. In setting out our aims and planning our activities we have given careful consideration to the Charity Commission's general guidance on public benefit.

The Trustees ensure that the activities of the charity are consistent with its charitable objectives and aims. In our annual plans, the Trustees take into account the Charity Commission's general guidance on public benefit in relation to the prevention and relief of poverty, the advancement of education and health and the relief of those in need. The Trustees believe there is clear public benefit derived from the activities of our charity.

FUTURE PLANS

St Mungo's work over the next four years will be shaped by our 2021-2026 five-year strategic plan.

Delivering services: In 2022-23, we'll be piloting approaches to prevention of homelessness that build on the learning from our existing service models such as Somewhere Safe to Stay and No First Night Out, and will also be implementing our new Criminal Justice strategy. We will also be focussing on how we can best support people leaving our accommodation, and will be implementing our strategic delivery plan for Move On (including rolling out a Move On toolkit and developing our Move On training).

Creating public empathy and understanding: In 2022-23 we will focus on our efforts to increase public recognition of our work. We are planning a campaign to increase public awareness and response, which is due to launch in November. We will also be making the best of opportunities to raise awareness about our work, for example through showcasing our Putting Down Roots (PDR) garden at the RHS Chelsea Flower Show in May and through publication of the Kerslake Commission's year one progress report in September.

Influencing policy: In the next year our focus will be on getting further action on the key recommendations including through the Government's refreshed rough sleeping strategy. In September 2022 the Kerslake Commission will publish a year one progress report on its 2021 report, which will rate progress against each recommendation.

FINANCIAL PERFORMANCE

Income and Expenditure Review

After a very strong year in 2021, driven by pandemic related activity, income has reduced by 2.7% to £118.7m.

	2022 £m	2021 £m	Variance
Rent and Service Charges	44.2	41.6	6.3%
Support	61.6	64.3	-4.2%
Fundraising	12.9	16.1	-19.9%
Total Income	118.7	122.0	-2.7%

Rent and Service charge income has increased reflecting the annual CPI+1% increase together with adjustments to service charge levels that reflect the complexity of our service provision.

Support income shows a 4.2% decline vs. the previous year as the organisation started to return to business as usual after the emergency response during the pandemic. During the year, St Mungo's secured £6m incremental income through new services and improved contract variations. However, this was more than

offset by service closures, primarily driven by reduced emergency funding including completion of our work in 3 emergency hotels.

After an exceptional performance in the previous year due to pandemic related donations, as expected, fundraising income has reduced and is marginally ahead of our FY19/20 (i.e pre-pandemic) level with continuing strong support from both individual and corporate donors.

As well as being a core income stream, fundraising also enables St Mungo's to support a number of activities that would otherwise not have funding such as the Recovery Colleges and Putting Down Roots.

Our total expenditure has fallen by 3.6% to £118.6m. The reduction reflects in part the reduction in income, together with a rationalisation of central office activities, resulting in a reduction of 30 posts. In addition, a further reduction in staff costs is due to increased vacancies reflecting current challenges in the labour market.

The unrestricted surplus is £1.7m partly as a consequence of actuarial gains in respect of pension schemes of £1.2m but also consequent of unrestricted fundraising income coming in stronger and more than offsetting the impact of the reduced allocation of spend to the restricted I&E.

Balance sheet Review

Unrestricted reserves have improved to £13m reflecting the fundraising performance together with a pension credit and sit at the top of the trustee target range of £10m to £13m.

Net assets are 8% above FY21 driven by the pension credit. Fixed assets show a marginal decrease with new investment and depreciation largely offsetting and include a £0.4m increase in intangible assets representing further investment in a new rent and repairs management system. Debtors increased by 4% to £19.6m with the implementation of the new rents system causing an interim increase in the net rent debtor position. Current creditors increased by 8% to £26.9m with largely due to an increase in rents paid in advance.

The pension credit is based on FRS102 accounting and arises due to the gains on the assets of the defined benefit scheme. However, the Pension Trustees are coming to the end of triannual review of the scheme with the final report due by the end of the year. Based on preliminary discussions, the Directors anticipate that the review will require an increase in the scheme deficit to reflect required changes in the treatment of inflation.

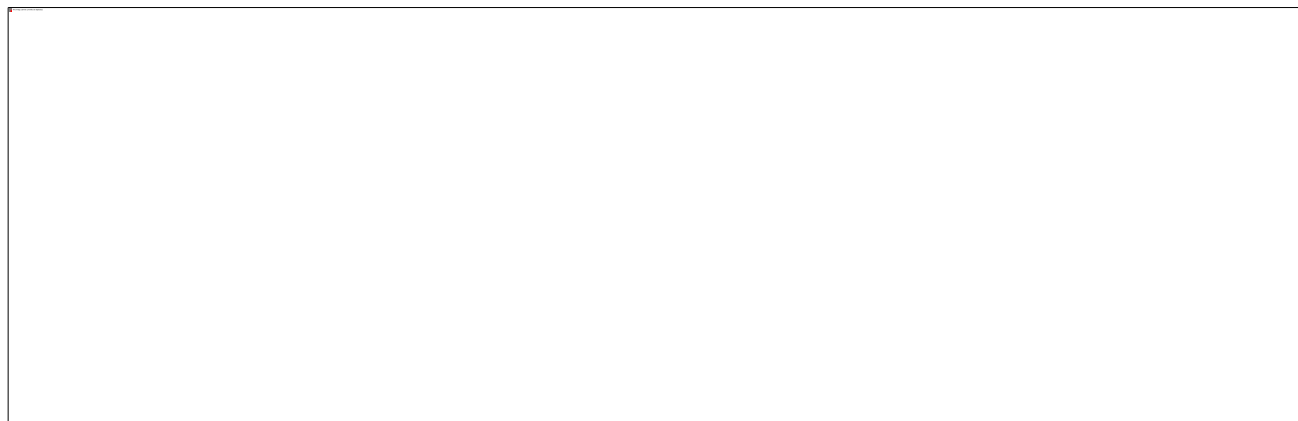
Cash Review

As a charity cash is our primary financial indicator, at £22.5m it is above the Trustee set range of £14m -£18m and marginally below 2021. Capital investment reflects a mix of Move-On accommodation and investment in the rents and repairs management system. Operating cash is positive as a result of higher creditors.

VALUE FOR MONEY

St Mungo's is a charity but also a registered provider of social housing and is obliged by the Regulator of Social Housing to provide an overview of its approach to Value for Money. This is set out below together with a set of indicators also required by the regulator. For St Mungo's, value for money means delivering our strategic objectives in the most cost effective way, that enables us to maximise our support to people who are homeless and remain financially sustainable for the long term. The Board regularly monitors performance through the budget and 5 year plan process, together with review of management accounts and latest forecast. Our strategy delivers homes that meet a wide range of requirements, from initial move off the street to longer term recovery, supporting clients through complex needs. St Mungo's regularly reviews the allocation of resource and assets to ensure the most effective support to our strategic objectives. As part of the budgeting process we also review specific opportunities for improvement, such as procurement savings, support contract margin and central overhead spend. However, as a charity we also choose to use fundraising income to invest in projects that generate no financial return, as they contribute to the core strategic goal to end rough sleeping.

The VFM measures as required by the Regulator of Social Housing are set out below. It should be noted that, given the complexity of needs of our tenant base, and given that St Mungo's is a charity with charitable goals and invests the maximum possible to support those goals, there will be significant variations in the measures for St Mungo's as set against the Housing Association sector average.



Reinvestment

St Mungo's continues to invest to improve our housing stock and to provide incremental bed-spaces. However, the re-investment rate is lower than target due to delayed acquisition of Move On accommodation in Bristol, which will now fall into 2022/2023.

New Supply (social)

St Mungo's continues to invest its own funds to provide additional bed spaces, but the supply rate is lower than target due to delayed acquisition of Move On accommodation in Bristol that will now fall into 2022/2023.

New Supply (Non-social)

St Mungo's does not own non-social units.

Gearing/EBITDA MRI Interest Cover

St Mungo's is debt free and therefore these measures do not apply.

Social Housing Cost per Unit

The cost per unit is ahead of target due to a higher than anticipated level of social housing as a result of contract gains, enabling more efficient use of resources and facilities. The costs incurred by St Mungo's are higher than the sector average due to a number of factors including the short term nature of our tenancies and hence much higher renewal rates and the level of staffing required to safely run support services.

Operating margin (social)

The in-year performance is below target due to higher than anticipated property service costs and landlord lease charges.

Operating margin (overall)

St Mungo's budgeted for a small deficit but has achieved a small operating surplus position due to lower than anticipated staff costs.

Return on Capital Employed

The achievement of a small operating surplus similarly means that the ROCE is not negative as anticipated.

This report was approved by the Board of Trustees on the 20th July 2022 and signed on its behalf by:

Joanna Killian
Chair: 22 September 2022

TRUSTEES' REPORT

The Trustees present the annual report and audited financial statements of St Mungo's for the year ended 31 March 2022. The financial position and results for the year are set out on pages 22 - 49 of these statements.

OBJECTIVES AND ACTIVITIES

The Trustees have reported St Mungo's strategic objectives and outlined our activities within the Strategic Report on pages 3 - 6.

STRUCTURE, GOVERNANCE AND MANAGEMENT

St Mungo Community Housing Association ("the Group"), a registered housing association and charity, is made up of a lead association and four directly and wholly owned subsidiaries.

Street Impact London Limited and Street Impact Brighton Limited, both wholly owned subsidiaries (companies limited by shares) provide housing and support to rough sleepers, these projects have now ended. Broadway Homelessness and Support (a registered charity and company limited by guarantee), holds a number of leasehold interests on behalf of St Mungo's, its parent. Broadway Real Enterprises Limited (a company limited by guarantee) was dissolved in September 2021 having transferred its activities to St Mungo Community Housing Association.

St Mungo's Homes Limited (a community benefit society) was established in 2019 as part of a strategy to acquire move on accommodation for former rough sleepers. This entity is currently dormant.

St Mungo's has a 33% share in Social Impact Bristol Limited (company limited by shares), a consortium of three charity partners set up to provide housing and support to people sleeping rough. This project has now ended.

These are the financial statements of the Group. Any activity relating to the Association will be specified. All references to comparable 2021 figures are to those of the Group, unless otherwise specified.

The Board of St Mungo's is responsible for ensuring that a sound system of governance exists across the Group and that it is financially viable and properly managed. The Board works alongside the Executive team, which is responsible for the day to day management of the Group.

The Board comprises twelve Trustees, who for purposes of company law are non-executive directors, who bring a broad range of skills, knowledge and experience to their roles from fields including finance, legal and government policy. During the year the Board met on six occasions including a Strategy Day.

The Board has a formal schedule of matters reserved for its decision, which includes overall strategy and future development, allocation of financial resources, acquisitions and disposals, annual budgets, annual results, senior executive appointments, treasury policy and risk management.

Board members are elected for a three year term at the Annual General Meeting. The Board reviews its effectiveness and appraises its members annually. It identifies the skills it requires in order to fulfil its function and recruits new members as required. Maximum tenure will normally be up to six consecutive years. Further terms may be agreed up to twelve consecutive years but only where the Board agrees that this is in the best interests of St Mungo's.

The Board is covered by Trustees' indemnity insurance policy. No claims have been made during the year.

During the year the Board has been supported by five committees:

- Assurance and Risk Committee reviews the integrity of financial reporting and provides the Board with assurance about the operation of internal control and risk management within St Mungo's. It also manages the relationship with the internal and external auditors.
- Finance and Development Committee supports the Board in its responsibilities in relation to financial planning, financial management and the scrutiny of financial performance. The Committee also reviews plans for the development of our housing stock.

- Client Services Committee has oversight of our care and support services including safeguarding. The Committee reviews policies and plans to ensure that our services are safe and responsive to clients' needs.
- Housing Services Committee has been established to oversee the management of St Mungo's leasehold, owned and managed property portfolio. The Committee scrutinises performance in key areas such as repairs, rent collection and landlord health and safety.
- People, Culture and Transformation Committee has oversight of the employment and remuneration of staff and succession planning for the Board. The Committee assists the Board with setting a positive culture and oversees significant change programmes.

St Mungo's is committed to involving clients in all aspects of our work, including in its decision-making structures. The Client Advisory Board, made up of ten current or former clients of St Mungo's, reviews Board papers and provides input for discussion at Board meetings.

Compliance with the Code of Governance

St Mungo's has adopted the National Housing Federation's 2020 Code of Governance which is designed to ensure that the Association operates to the highest possible standards. An underlying principle of this is that we will comply with the Code or explain any areas where we do not comply.

The Board has reviewed and confirmed compliance with all areas of the NHF Code with the following exception:

Section 3.7(3) states that maximum tenure will normally be up to six years which may be extended to nine years where the Board has agreed it is in the organisation's best interests. One Board member, who is also the Vice Chair, has served ten years and is due to retire during the coming year. This extended term has been agreed by the Board to ensure continuity following changes on the Board and the Executive team.

An assessment of compliance with the Charity Code of Governance has also been undertaken and compliance noted.

Compliance with RSH Governance and Financial Viability Standard

Registered providers are required by their regulator, the Regulator of Social Housing, to certify their compliance with the Governance and Financial Viability Standard. The Board has reviewed compliance with the standard and confirms that it complies in all material respects. Where further work is needed to ensure continued compliance then appropriate action plans are in place.

Compliance with Section 172 of the Companies Act 2006

Throughout the year the Board of Trustees has made due consideration during its discussions and decision-making of the matters set out in section 172 of the Companies Act 2006. Set out in the Chair's Statement, Strategic Report and Trustees' Report is a description of how the Trustees have had regards to the matters set out in section 172 (1) when performing their duties under section 172.

STAKEHOLDERS

The Board has overriding duty to promote the success of the charity to achieve its charitable purpose. In agreeing its strategic plans and in its decision making regard has been given to other factors and stakeholders. We recognise that our success in supporting the recovery of our clients against the backdrop of the challenges we face depends fundamentally on the skill, commitment and engagement of our supporters, staff and volunteers.

Fundraising report

St Mungo's is registered with the Fundraising Regulator and works in a way that is compliant with the Code of Fundraising Practice. Members of our Fundraising team are also members of the Institute of Fundraising. This report covers the requirements charities must follow as set out in the Charities Act 2016.

Fundraised income supports both new and existing projects to help people who are at risk of, or are

experiencing homelessness. Our fundraising efforts involve encouraging donations from corporate partners, community groups, and individuals. In addition, we also raise funds through legacy giving, special events, challenge events, and Face to Face fundraising.

Our donors and clients are at the heart of everything we do, and our practices aim to be more than just about compliance, we want to ensure that our supporters are treated with the care and attention they deserve.

As the regulatory environment has continued to change we have adapted and challenged the way we work to ensure we operate to a high standard. We have reviewed all fundraising materials, consent options, and updated our consent and privacy statements, in order to ensure compliance with the General Data Protection Regulation (GDPR). We have also updated our fundraising database to utilise the ability to record consent consistently and compliantly.

We continue to have four Professional Fundraising Organisations (PFOs) working on our behalf, which are:

- The Payroll Giving Team
- Payroll Giving in Action
- STC Payroll Giving
- Hands on Payroll Giving.

We have safeguards in place to ensure that organisations who fundraise on our behalf operate to the correct standard including requiring them to comply with the Code of Fundraising Practice.

We follow up on all feedback we receive from members of the public to ensure compliance with the Fundraising Regulations and ensure there is no unreasonable intrusion on a person's privacy.

In addition, we continue to run our own in-house street fundraising team. For this, we have a regular programme of training and refresher training covering all aspects of the regulations that apply to this form of fundraising as well as our own policies and procedures. Our training gives specific guidance on the protection of vulnerable people, based on the Institute of Fundraising's "Treating Donors Fairly Guidance". As such, we guide fundraisers to be upfront and tell the member of the public why we are communicating with them and check they are happy to continue; to ask if the person would prefer to be contacted in a different way (email, letter) or at a different time; and to check the person's understanding at relevant parts of the interaction and ask if there is anything that needs further explanation.

We monitor the quality and practices of our team through our programme of mystery shopping, conducted on our behalf by an independent organisation.

Across the year and across all our fundraising activity, which in total resulted in over 460,694 donations, we received 18 complaints about our fundraising. We regularly record, report and share positive unprompted feedback about our work and our fundraising from the public along with many messages of support we receive directly from our donors.

We have a formal process for resolving individual complaints. We report annually on complaints to our Assurance and Risk Committee, this, along with the training and mystery shopping enables us to monitor and review our fundraising practices relating to the protection of vulnerable people and ensure that there is no unreasonable intrusion on a person's privacy.

Every donation we receive is greatly appreciated and the support we have seen during this past year has been truly exceptional. Supporters old and new have continued to support our work following the pandemic.

We wish to say a thank you to all our supporters who made donations of their time and energy or gave financial support to St Mungo's during 2021-22, including those who left us a special gift in their Will.

Employee engagement

Our People Strategy 2021-26 sets out our commitment to recruiting the very best people from diverse backgrounds and investing in their learning, development and engagement. The success of our approach was recognised in our Investors in People assessment last year, in which we achieved 'Gold' status. This was further recognised in our staff survey in February 2021, in which we scored the same or higher in all areas compared to our 2017 staff survey. A key measure is staff engagement, which was very high at 86% and an increase on the 81% achieved in 2017.

We have a range of channels and opportunities for staff to input and feedback. Our Staff Advisory Group meets quarterly to obtain staff perspective on key strategic and planning issues. We have continued our practice of senior leaders regularly attending team meetings throughout the year. This has enabled us to dynamically assess what is 'on top' for staff and respond to ideas and concerns promptly. Our briefing and engagement meeting structure, 'The Loop', helps us to ensure that staff receive timely, reliable and consistent information, and have the opportunity to comment, make suggestions and have their voices heard.

360 feedback from colleagues, line reports, clients and other stakeholders is central to our performance management and development scheme. Our system of annual appraisals affords staff an opportunity to feedback on the management and support they have received during the year.

St Mungo's recognises two unions; Unite and Unison, and meets regularly with union representatives to discuss key issues affecting staff. Industrial action, which began in April 2021 and involved members of staff in our Property Services Department, ended in July 2021. In response to the allegations, we commissioned an independent review which found that our policies and procedures are fair and robust and that our formal processes are well managed. A leverage campaign by Unite ended in October 2021 and we have been working to develop a constructive working relationship and avoid disputes in the future.

Schemes set up to support staff during the pandemic came to an end during the year. Staff who were furloughed on the government's Coronavirus Job Retention Scheme (64 staff, about 4% of the workforce), had all returned to work by August 2021. Changes to our sickness policy and pay arrangements to support those who needed to self-isolate also came to an end in November 2021.

Supporting the wellbeing of staff has been a major area of focus. All of our manager and staff training modules include a wellbeing focus; we have stress risk assessment tools and Wellbeing Action Plans for staff; and toolkits for managers to support the mental health and for staff to understand and access the broad range of internal and external resources that we have put in place to support both mental and physical wellbeing.

Volunteers, apprentices and students

Volunteering at St Mungo's is an integral and valued part of our work. Volunteers play a vital role in supporting our clients and make a huge difference to the range of services we can offer homeless people.

As life slowly returned to some sense of normality following Covid, our services started to open up and we were able to reintroduce volunteers to engage our clients in meaningful activities. Support continued for those clients accommodated in hotels and for our outreach teams through the provision of Outreach volunteers and our First Response programme. Remotely volunteers continued to support our digital recovery college and our Lifeworks psychotherapy programme.

We have engaged our volunteers through online training, webinars and invited them to attend volunteer advisory groups to give feedback on our approach and policies and procedures. Our online volunteer awards event saw 30 volunteers recognised for their commitment and dedication during a difficult year. Partnering with the Marsh Trust allowed us to award £7,500 of prizes to our volunteers.

We are proud of our award winning apprenticeship scheme for people with lived experience of homelessness. Whilst the pandemic has impacted the overall number of apprenticeships we were able to offer this year we were able to continue with some placements where it was safe to do so. We have continued to provide practical and pastoral support, providing regular one to ones in addition to their management supervisions and two weekly peer support sessions. This year has seen new placements in Bath and Brighton take on Apprentices.

We also provide placements of Social Work, Nursing and Occupational Therapy students in order to influence

future professionals and help shape their practice. The team has continued to work with universities to deliver placements and assessments in different ways during the pandemic and as lock down eased. We have managed to increase social work placements compared to the same point the previous year. Student nurses decreased during COVID19 but are now returning to pre pandemic levels. The students receive a robust induction and monthly sessions to develop and enhance their learning.

Business relationships

We have robust policies and practices in place to ensure that our procurement decisions are transparent, fair and non-discriminatory. Compliance with procurement requirements and any decisions taken outside of our policies are reviewed regularly by our Audit and Risk Committee.

Performance with the prompt payment of suppliers is monitored by our Finance and Development Committee. During the year we have reported on our business payment practices in line with government requirements.

We recognise that the commissioning bodies for whom we deliver services are key stakeholders who enable us to achieve our strategic objectives. In 2021-22 we continued to run regular forums with approximately 20 commissioners across our areas of operation. During the year the focus of these meetings has included health and homelessness, supporting those with no recourse to public funds and interventions for vulnerable people who may have experienced multiple relationship breakdowns. Alongside this we launched our Commissioners' Hub where we share resources discussed at Commissioners' Forum.

Energy and carbon reporting

In line with the Greenhouse Gas Protocol (GHG) Corporate Accounting and Reporting Standard (Revised Edition), St Mungo Housing Association (St Mungo) continues to be engaged in a process aimed at reducing our greenhouse gas emissions.

St Mungo incurs scope 1 and 2 emissions (natural gas and electricity) at our offices, hostels, and domestic properties throughout the UK. Further, in line with government guidance, we have included grey fleet (cars owned by staff but used for business purposes) and vehicle hire car transport emissions as part of our overall reporting.

St Mungo has a longstanding commitment to tackling climate change and reducing carbon emissions. Our calculated carbon footprint for the current financial year is 4,568.38 tCO₂e, whilst energy consumption was 25,612,562.7 kWh (25,612.5 MWh).

Accordingly, St Mungo can report figures below based on the GHG Protocol Corporate Standard calculated using 2021 conversion factor guidance published by the UK government. Reporting corresponds with our financial year and reflects emissions from the leased and controlled assets for which St Mungo is responsible.

Emissions

<u>Scope 1 (natural gas)</u>	<u>Tonnes CO₂ equivalent</u>
	4,065.09

<u>Scope 2 (electricity)</u>	<u>Tonnes CO₂ equivalent</u>
	359.39

<u>Scope 3 (transport, electricity T&D)</u>	<u>Tonnes CO₂ equivalent</u>
	143.9

Total	4,568.38 tCO₂e
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Scope 1, 2 and 3 intensity metric	3.04 tCO ₂ e per person employed during the financial year (1,550)
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This represents a 6.55% reduction on our emissions from our previous financial year.

Efficiency Measures Taken 2021 / 2022

It is a requirement of the Streamlined Energy and Carbon Reporting legislation that we outline energy efficiency actions taken within the fiscal year. These are as follows:

- 1) Replaced aging office and lighting equipment with energy-efficient products,
- 2) Expanded video conferencing and online meetings (as opposed to “face to face” meetings).
- 3) Ongoing property maintenance activity to keep our buildings in good repair and improve efficiency.
- 4) Increased use of renewable energy sources.

Objectives for 2022-23

Our Sustainability Strategy sets out our approach and targets for environmental sustainability and specifically how we will contribute to achieving net zero carbon. The strategy was reviewed by the Board during the year and further work agreed.

Our approach includes our buildings, offices and supply chain as well as how we will engage and involve our staff and clients. A key area of focus in the coming year is delivery of our stock investment programme following our stock condition survey in 2020-21. In particular the replacement of single glazed windows.

DIVERSITY AND INCLUSION

Inclusion is one of our core values and valuing the backgrounds, experiences and strengths of our staff and clients is integral to our work. The Board has agreed an Equity, Diversity and Inclusion Strategy which sets out a vision where staff, clients and volunteers from all backgrounds can be their best selves, bringing together experiences, commitment and expertise to deliver a personalised recovery approach. We have also developed a specific Race Equality Action Plan to ensure that we are actively combatting the potential for racism to be experienced by our clients and staff.

Central to the delivery of our strategy, are seven Diversity Networks which meet regularly and work together to help shape the strategic direction of our inclusion practices. We also have 150 Allies across the organisation who champion diversity and inclusion within their teams, help to plan awareness raising events, challenge any non-inclusive practices and come together quarterly to network, share best practice and learn.

The Board is committed to increasing the diversity of its membership and has agreed an aspirational target of at least one in three appointments being from an under represented group with an anticipated representation of 33% by 2026. Our Board is currently 50% women and representation from people from ethnic minority backgrounds.

Our data on workforce demographics shows an under-representation of managers from ethnic minority backgrounds. This is a challenge that is not unique to St Mungo's but we are committed to taking action to understand and positively address the issue. Our positive action strategy working group brings together senior managers from across the organisation to focus on recruitment, progression, retention and communications.

Our People Strategy sets representation targets across all levels of management at St Mungo's by 2026. A key step to achieving this has been the introduction of a requirement for all recruitment panels to include at least one member from an ethnic minority background. Our Steps into Management programme will also help us to develop the leadership pipeline of junior and middle-managers from ethnic minority backgrounds.

We are registered with the Disability Confident scheme and are fully committed to supporting people with disabilities to work with us. This includes providing equal employment, training, and promotion of staff with disabilities. We have also signed the Mindful Employer charter to demonstrate that we are positive about mental health and are accredited under the Healthy Workplace Charter.

We again gained a place in the Stonewall Index of the Top 100 Lesbian, Gay, Bisexual and Trans-friendly employers.

MODERN SLAVERY ACT

Information about St Mungo's compliance with the Modern Slavery Act, which seeks to curb slavery and human trafficking, is available on our website www.mungos.org. This was last updated in September 2021 and is reviewed annually to ensure we continually improve our practice in this area.

REMUNERATION POLICY

The aim of our remuneration policy is to offer pay rates and a broader package of terms and conditions that will attract, retain and motivate high calibre staff. We aim to pay salary rates at all levels that effectively support recruitment and retention.

Most roles in St Mungo's are paid at salary grades linked to the NJC (National Joint Council for Local Government Services). The appropriate grade is determined by evaluation of the role within the terms of St Mungo's Job Evaluation scheme. The remuneration for certain posts is determined outside of NJC salary grades. In these cases, spot salary rates are determined by market testing and other factors. These posts include the Chief Executive, Executive Directors and Directors.

Market testing of Chief Executive, Executive Team and other relevant roles is carried out at least every three years by an external benchmarking company in order to keep salaries aligned with the comparator market. In the years which fall between market tests the Chief Executive and Executive Team members receive the same cost of living increase as all other members of staff, which is determined by reference to the NJC annual settlements.

All staff at St Mungo's including the Chief Executive and the Executive Team receive the same standard package of terms and conditions of employment. There are no enhancements to these, and no bonuses or discretionary additional awards in terms of salary to any individual.

As a responsible employer our aim is to secure the best benefits for St Mungo's employees past, present and future. Staff are auto-enrolled into our defined contribution pension scheme with Aviva. Our standalone defined benefit scheme with TPT Retirement Solutions is closed to new employees.

RESERVES POLICY

Reserves are that part of the Group's funds that are freely available to spend on any of the Group's purposes. This definition excludes restricted reserves which arise from specific restrictions being imposed on the reserves by the donor. As a Group which has no complex financial arrangements, the Group and Association's reserves are made up of the liquid working capital offset by provisions for long-term liabilities associated with property and pension commitments.

In May 2022 the Board approved the 2023-27 Five Year Plan. The Board considered the worst case impact of an economic recession leading to an adverse impact on our three income streams: fundraising, support contracts and rents, together with an increase in core costs. The Reserves and Liquidity policy has been updated to set thresholds to manage should these adverse risks materialise. St Mungo's will manage against minimum cash balances of £14 million - £18 million and minimum unrestricted reserves of £10 million - £13 million to ensure that St Mungo's is viable longer term.

Total reserves as at 31 March 2022 were £14.8 million (2021: £13.7 million). We held restricted reserves of £1.8 million (2021: £2.4 million) and unrestricted or free reserves of £13.0 million (2021: £11.3 million).

The year-end cash balance was £22.5 million (2021: £22.9 million).

The Trustees have reviewed the reserves of the Association and Group taking into consideration future activity, uncertainties and risks and have concluded the level of reserves shown at 31 March 2022 is appropriate to maintaining the continuation of the Association and Group as a going concern.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board acknowledges its ultimate responsibility for ensuring that St Mungo's has in place a system of internal control that is appropriate to the environment in which it operates and for the review of the effectiveness of that system during the year. These internal controls are designed to identify and manage rather than eliminate risk which may prevent St Mungo's from achieving its objectives.

The system of internal control is designed to give reasonable rather than absolute assurance that key objectives and expected outcomes will be achieved. It also exists to give reasonable assurance on the preparation and reliability of financial and operational information and the safeguarding of assets and interests.

Risk management approach

The Board has overall responsibility for the oversight of risk management at St Mungo's and has agreed an Organisational Risk Management Policy which sets out how risks are identified, assessed and managed across the organisation.

The strategic and key operational risks faced by St Mungo's and the mitigation plans in place to manage these risks are regularly reviewed by the Board.

During the year the Board has reviewed its risk appetite and agreed risk tolerance levels which are used to guide our day to day activities.

Risk Appetite Statement

As a homelessness charity, we choose to reach out to people who are often the most excluded by society and by other services because of their multiple and complex needs. We have a high risk appetite for who we provide our services for and for solutions that prevent and tackle rough sleeping.

Our clients have complex and changing needs and this brings inherent risk in relation to our reputation, we mitigate this by having a low risk appetite in terms of compliance with legal and regulatory requirements and our internal policies and processes.

We will seek opportunities to work in partnership with others for the benefit of our clients. Our work to increase public understanding and advocate for change for our clients involves an element of risk and we will balance this with the need to protect our reputation.

We work in a rapidly changing environment where funding streams can be uncertain and changes in policy and public opinion can have a profound impact on our work. We mitigate this by having a low risk appetite in terms of our financial sustainability.

We expect to take risks, within the context of our risk appetite and our financial sustainability, in order to grow our services and deliver our mission to reduce homelessness and rebuild lives.

Principal risks and uncertainties

During the year, the Board has focused on successfully transitioning out of pandemic restrictions and ensuring our clients in emergency accommodation have access to longer term housing. Whilst life has returned to normality for many in the UK population, we remain concerned about the social and economic impact of the pandemic on our client group, coupled with the rising cost of living. Given the pressure on local authority budgets, we face a hugely challenging environment of rising demand and fiscal entrenchment, and our work remains vital.

Financially, while the Regulator for Social Housing has acknowledged our business plan is fully funded and based on reasonable assumptions, they also noted that the nature of our work is low margin which reduces our ability to absorb adverse shocks. It is because of this that we maintain a robust focus on our reserves and liquidity, including a significant level of cash reserves. The Board has agreed a 5 year plan which aims to strengthen our financial resilience and this has been stress tested against a range of plausible scenarios.

We have robust policies and processes in place to manage the risks that arise from our day to day work. Health and safety is the top priority for the Board and through a culture of compliance and good performance, we mitigate the potential risk of issues emerging. We have systems in place to ensure that if issues do occur, these will be managed in a way that safeguards clients, staff and the wider organisation.

Our reputation is vital to our work. We have processes in place to ensure a co-ordinated response to incidents and to communicate organisational decisions. We proactively monitor complaints, comments on social media and press activity. During the year, a key focus for the Board has been on managing the risk arising from industrial action and moving to a more constructive relationship with Unite the Union.

In addition to our key operational risks outlined above, the Board has also focused on the following strategic risks during the year. The risk of staff vacancies impacting on essential service provision has been added as a new risk reflecting the challenging labour market. The risk around safely managing our services during the pandemic is no longer a principal risk for the organisation.

Risk	Mitigation measures
Providing good quality accommodation and meeting our obligations as a landlord. Risk rating: Amber	<ul style="list-style-type: none"> • The Board has agreed an Asset Management Strategy and a stock reinvestment plan is underway. • An action plan has been agreed to address the issues identified in the Regulator's In-Depth Assessment. • We continue to prepare for the forthcoming changes in building safety and consumer regulation.
Managing significant IT and change projects. Risk rating: Red	<ul style="list-style-type: none"> • The Board has agreed an IT Strategy and plans are in place to ensure delivery. • Phase one to deliver a new housing management system went live in November 2021. Post go live issues have been resolved. • Learning from phase one is being used to inform future ICT and transformation projects.
The impact of staff vacancies on essential service provision. Risk rating: Red	<ul style="list-style-type: none"> • We have responded to the challenging external market through proactive recruitment campaigns via a range of media, and offer competitive terms and conditions. • Our temporary resourcing arrangements, including via our locum bank, ensure that we are able to maintain essential service provision.
Securing a long term solution for our Real Lettings portfolio. Risk rating: Red	<ul style="list-style-type: none"> • St Mungo's has short term leasehold interests in a number of properties leased via three property funds. • The Board has agreed an exit strategy which minimises reputational impact and avoids evictions. • The first transfer of units in Bristol took place in December 2021. We are working through a plan to transfer further units before the first fund ends in 2023.

Internal assurance

We have internal assurance processes in place to ensure that internal controls are operating effectively. Our Quality Audit Programme for client facing services identifies areas of good practice and highlights any improvements that are needed. A regular programme of Health and Safety inspections across our projects provides further internal assurance on compliance with statutory and regulatory obligations. A framework of key performance indicators and regular reporting to Board exists to ensure that performance issues are identified and corrective action is taken.

Internal audit

St Mungo's internal audit function, delivered by Beever and Struthers, is used to provide objective assurance on our control framework and management of risks. A programme of internal audits has been overseen by the Assurance and Risk Committee. The audit reports demonstrate that the Board can take adequate assurance from the control framework in place across St Mungo's in 2021-22. Where weaknesses were identified during

the year, these have either been addressed or an action plan has been put in place to improve controls going forwards.

External audit

The work of our external auditors provides further independent assurance on the control environment. Any weaknesses in internal control identified by our external auditors are considered by the Assurance and Risk Committee and the Board along with an action plan to address any issues.

External Assurance

On 15 December 2021, following an in-depth assessment, the Regulator of Social Housing confirmed our rating as G2 / V2. This means that St Mungo's meets the Regulator's governance and viability requirements but needs to improve some aspects of its governance arrangements on landlord obligations to support continued compliance. An improvement plan has been agreed.

Our V2 grading means that we have the financial capacity to deal with a reasonable range of adverse scenarios but need to manage material risks to ensure continued compliance.

St Mungo's has two care homes, both of which have been inspected by the Care Quality Commission and achieved an overall grading of 'good'.

During the year the Board has received assurance from external independent reviews in relation to rent setting and service charges, also our property assets and liabilities records.

Fraud and Whistleblowing

A Fraud Register has been maintained during the year and reviewed by the Assurance and Risk Committee. During the period there have been some minor losses due to isolated fraud.

St Mungo's has a Whistleblowing Policy that encourages employees and others to express any serious concerns regarding suspected misconduct or malpractice within the organisation. Whistleblowing concerns raised during the year have been reported to the Assurance and Risk Committee and have not highlighted any systemic issues.

Conclusion

The Board has considered the effectiveness of the risk management and internal control system in place across the organisation for the year ended 31 March 2022 and has concluded that it has a reasonable level of assurance that there is an effective framework of governance, risk management and control at St Mungo's, noting that issues with rent control and compliance identified during the year have been addressed. No other weaknesses or relevant information have been identified which would result in material misstatement or loss and which require disclosure in the financial statements.'

Auditor

RSM UK Audit LLP will finish their term at the Annual General Meeting on 21 September 2022. Following a procurement exercise it has been agreed to recommend Crowe UK for appointment and a resolution to appoint them will be proposed by the Board.

Disclosure of Information to the Auditor

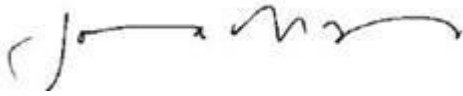
The Board who held office at the date of the approval of this Trustees' Report confirm that in so far as the Board is aware:

- there is no relevant audit information of which the Association's auditor is unaware
- the Board has taken all the steps it ought to have taken to make itself aware of any relevant audit information and to establish that the auditor is aware of that information.

Certain information as required by Schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) regulations has been included within the Strategic Report. As permitted by section

414C (11) details of future developments, analysis of the development and performance of the business, commentary of key performance indicators and financial review are included in the Strategic Report.

This report was approved by the Board in their capacity as company directors.



Joanna Killian
Chair
22 September 2022

STATEMENT OF TRUSTEES' RESPONSIBILITIES FOR THE ANNUAL REPORT AND FINANCIAL STATEMENTS

The Board is responsible for preparing the Strategic Report, the Trustees' Report and the financial statements, in accordance with applicable law and regulations.

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

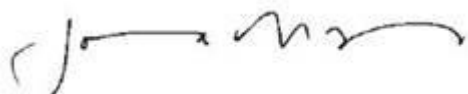
- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the Group and the Association will continue their activities.

The Board is responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Association's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Association and enable them to ensure that its financial statements comply with the Companies Act 2006, the Housing and Regeneration Act 2008 and the Accounting Direction of Private Registered Providers of Social Housing 2019. The Board has general responsibility for taking such steps as are reasonably open to safeguard the assets of the Group and the Association and to prevent and detect fraud and other irregularities.

The Board is responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

This report was approved by the Board of Trustees on the 20th July 2022 and signed on its behalf by:

By order of the Board



Joanna Killian
Chair
Date: 22 September 2022

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ST MUNGO'S COMMUNITY HOUSING ASSOCIATION

Opinion

We have audited the financial statements of St Mungo's Housing Association (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 March 2022 which comprise consolidated and association statement of comprehensive income, consolidated and association statement of financial position, consolidated and association statement of changes in reserves, consolidated statement of cash flows and notes to the financial statements, including 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 group's and the parent company's affairs as at 31 March 2022 and of the group's income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019.

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Board's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's or the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Board with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Board is responsible for the other information contained within the annual report. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic Report and the Board's report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Board's 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 group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Board's report.

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

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

Responsibilities of the Board

As explained more fully in the Board's responsibilities statement set out on page 34 the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board determines 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 Board is responsible for assessing the group's and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board either intends to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed

risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the group audit engagement team:

- obtained an understanding of the nature of the sector, including the legal and regulatory framework that the group and parent company operates in and how the group and parent company are complying with the legal and regulatory framework;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 102, the Companies Act 2006, the Housing and Regeneration Act 2008, the Accounting Direction for Private Registered Providers of Social Housing 2019 and tax compliance regulations. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures, inspecting correspondence with local tax authorities and evaluating advice received from internal/external tax advisors.

The most significant laws and regulations that have an indirect impact on the financial statements are Health and Safety at Work Act 1974 and Regulator of Social Housing Regulatory Standards (both Economic and Consumer standards). We performed audit procedures to inquire of management and those charged with governance whether the group is in compliance with these law and regulations and inspected correspondence with licensing or regulatory authorities.

The group audit engagement team identified the risk of management override of controls as the area where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments, evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business, challenging judgments and estimates.

A further description of our responsibilities for the audit of the financial statements is provided on the Financial Reporting Council's website at: <https://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 company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

ANDREW MONTEITH (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
Marlborough House
Victoria Road South
Chelmsford CM1 1LN
Date:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 March 2022

	Note	Unrestricted £million	Restricted £million	Total 2022 £million	Total 2021 £million
TURNOVER	3	116.0	2.7	118.7	122.0
Operating expenditure	3	(115.3)	(3.3)	(118.6)	(123.0)
OPERATING SURPLUS / (DEFICIT)	7	0.7	(0.6)	0.1	(1.0)
Interest payable and similar charges	6	(0.2)	-	(0.2)	(0.2)
(DEFICIT) / SURPLUS BEFORE TAX		0.5	(0.6)	(0.1)	(1.2)
Taxation	9	-	-	-	-
(DEFICIT) / SURPLUS FOR THE YEAR		0.5	(0.6)	(0.1)	(1.2)
Other comprehensive income:					
Actuarial gains / (losses) in respect of pension schemes	21	1.2	-	1.2	(1.6)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		1.7	(0.6)	1.1	(2.8)

The consolidated results relate wholly to continuing activities.

The accompanying notes on pages 27 - 49 form part of these financial statements.

ASSOCIATION STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 March 2022

	Note	Unrestricted £million	Restricted £million	Total 2022 £million	Total 2021 £million
TURNOVER	3	116.1	2.7	118.8	121.6
Operating expenditure	3	(115.3)	(3.3)	(118.6)	(123.0)
OPERATING SURPLUS / (DEFICIT)	7	0.8	(0.6)	0.2	(1.4)
Interest payable and similar charges	6	(0.2)	-	(0.2)	(0.2)
SURPLUS / (DEFICIT) BEFORE TAX		0.6	(0.6)	-	(1.6)
Taxation	9	-	-	-	-
SURPLUS / (DEFICIT) FOR THE YEAR		0.6	(0.6)	-	(1.6)
Other comprehensive income:					
Actuarial gains / (losses) in respect of pension schemes	21	1.2	-	1.2	(1.6)
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR		1.8	(0.6)	1.2	(3.2)

The Association's results relate wholly to continuing activities.

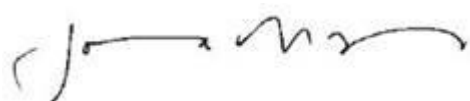
The accompanying notes on pages 27 - 49 form part of these financial statements.

CONSOLIDATED AND ASSOCIATION STATEMENT OF FINANCIAL POSITION
For the year ended 31 March 2022

		Group		Association	
	Note	2022 £million	2021 £million	2022 £million	2021 £million
FIXED ASSETS					
Intangible assets	10a	1.4	1.0	1.4	1.0
Housing properties	10b	81.8	82.7	81.8	82.7
Other fixed assets	10c	0.5	0.6	0.5	0.6
Investment in subsidiaries	11	-	-	0.1	0.1
		<u>83.7</u>	<u>84.3</u>	<u>83.8</u>	<u>84.4</u>
CURRENT ASSETS					
Trade and other debtors	12	19.6	18.9	19.6	18.6
Cash and cash equivalents	18	22.5	22.9	22.3	22.8
		<u>42.1</u>	<u>41.8</u>	<u>41.9</u>	<u>41.4</u>
CURRENT LIABILITIES					
Creditors: amounts falling due within one year	13	(26.9)	(25.0)	(27.0)	(25.0)
NET CURRENT ASSETS		<u>15.2</u>	<u>16.8</u>	<u>14.9</u>	<u>16.4</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>98.9</u>	<u>101.1</u>	<u>98.7</u>	<u>100.8</u>
NON-CURRENT LIABILITIES					
Creditors: Amounts falling due after more than one year	14	(72.0)	(73.3)	(72.0)	(73.3)
Retirement benefit obligations	21	(8.1)	(10.6)	(8.1)	(10.6)
Provisions for liabilities	16	(4.0)	(3.5)	(4.0)	(3.5)
		<u>(84.1)</u>	<u>(87.4)</u>	<u>(84.1)</u>	<u>(87.4)</u>
TOTAL NET ASSETS		<u>14.8</u>	<u>13.7</u>	<u>14.6</u>	<u>13.4</u>
RESERVES					
Restricted reserve	17	1.8	2.4	1.8	2.4
Income and expenditure reserve		13.0	11.3	12.8	11.0
TOTAL RESERVES		<u>14.8</u>	<u>13.7</u>	<u>14.6</u>	<u>13.4</u>

The accompanying notes on pages 27 - 49 form part of these financial statements.

The financial statements were approved by the Board and authorised for issue 20th July 2022 and are signed on its behalf by:



Joanna Killian
Chair



Tim Gadd
Trustee

CONSOLIDATED STATEMENT OF CHANGES IN RESERVES
For the year ended 31 March 2022

	Unrestricted reserve £million	Designated reserves £million	Restricted reserve £million	Total reserves £million
Balance at 31 March 2020	10.8	3.1	2.6	16.5
Transferred to Unrestricted Reserve	3.1	(3.1)	-	-
(Deficit) for the year	(2.6)	-	(0.2)	(2.8)
Balance at 31 March 2021	11.3	-	2.4	13.7
Surplus / (Deficit) for the year	1.7	-	(0.6)	1.1
Balance at 31 March 2022	13.0	-	1.8	14.8

Designated reserves formed part of the unrestricted and free reserves.

ASSOCIATION STATEMENT OF CHANGES IN RESERVES
For the year ended 31 March 2022

	Unrestricted reserve £million	Designated reserves £million	Restricted reserve £million	Total reserves £million
Balance at 31 March 2020	10.9	3.1	2.6	16.6
Transferred to Unrestricted Reserve	3.1	(3.1)	-	-
(Deficit) for the year	(3.0)	-	(0.2)	(3.2)
Balance at 31 March 2021	11.0	-	2.4	13.4
Surplus / (Deficit) for the year	1.8	-	(0.6)	1.2
Balance at 31 March 2022	12.8	-	1.8	14.6

Designated reserves formed part of the unrestricted and free reserves.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 March 2022

	Note	2022 £million	2021 £million
NET CASH GENERATED FROM OPERATING ACTIVITIES	18	2.1	4.5
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of fixed and intangible assets		(3.1)	(3.8)
Grants received		0.6	1.6
NET CASH (USED IN) INVESTING ACTIVITIES		(2.5)	(2.2)
CASH FLOW FROM FINANCING ACTIVITIES			
Loan finance		-	(0.3)
NET CASH (USED IN) FINANCING ACTIVITIES		-	(0.3)
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		(0.4)	2.0
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		22.9	20.9
CASH AND CASH EQUIVALENTS AT END OF YEAR	18	22.5	22.9

(I) ANALYSIS OF CHANGES IN NET DEBT

	At 1 April 2021 £million	Cash Flow: £million	At 31 March 2022 £million
CASH AND CASH EQUIVALENTS			
Cash	22.9	(0.4)	22.5

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2022

1. LEGAL STATUS

St Mungo Community Housing Association (“the Association”) is a company limited by guarantee and registered charity, a public benefit entity and is an English registered social housing provider.

The address of the Association’s registered office and principal place of business is St Mungo’s, 5th Floor, 3 Thomas More Square, London E1W 1YW.

2. ACCOUNTING POLICIES

BASIS OF ACCOUNTING

These financial statements have been prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including FRS 102 “The Financial Reporting Standard applicable in the UK and Republic of Ireland” (“FRS 102”), the Housing SORP 2018 “Statement of Recommended Practice for Registered Housing Providers” and the Accounting Direction for Private Registered Providers of Social Housing 2019. The financial statements have been prepared under the historical cost convention and on a going concern basis.

The Association is both a registered charity and a registered provider of social housing, and sees both of these areas represented significantly in its activities. In particular, it receives a large amount of charitable income and incurs related expenditure to do this. The Board considers that the financial statements should be prepared to reflect the Association’s aims and to satisfy the different needs of users. Therefore the Statement of Comprehensive Income differentiates between restricted and unrestricted funds.

Monetary amounts in these financial statements are rounded to the nearest £100,000, except where otherwise indicated.

GOING CONCERN

After making enquiries the Trustees believe that the Group has adequate resources to continue in operational existence for at least 12 months from the approval date of these financial statements.

During the year, the Board considers the worst case impact of different business scenarios (stress testing) on the financial plan. During the year, the Board considered the worst case impact of an economic recession leading to a reduction in fundraising receipts, increase in pension actuarial loss, loss of contracts and rent service charge income, cost and wage inflation and an exit from our non social housing portfolio. The Board also considered the impact of a “perfect storm” which included a number of scenarios occurring at the same time taking into account mitigating actions including cost cutting measures and supporting the conclusions that sufficient cash reserves remains available for at least the next 12 months.

Based on the review of these forecasts and the available free cash reserves the Trustees have concluded the Group is a going concern and accordingly have prepared the financial statements on this basis.

BASIS OF CONSOLIDATION

Under the Companies Act 2006 the Group has prepared consolidated financial statements. The consolidated financial statements incorporate those of the Association and all of its subsidiaries (i.e. entities that the Group controls through its power to govern the financial and operating policies so as to obtain economic benefits). All financial statements are made up to 31 March 2022.

All intra-group transactions, balances and unrealised gains on transactions between Group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the Group.

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 March 2022

Where the Group does not control the financial and operating policies of an entity but is able to exert significant influence over them then that entity is accounted for as an Associate. The Group includes its share of the entities result and financial position in its consolidated financial statements.

REDUCED DISCLOSURES

In accordance with FRS 102, the Association has taken advantage of the exemption from the following disclosure requirement in the individual financial statements of the Association under Section 7 'Statement of Cash Flows' – Presentation of a Statement of Cash Flows and related notes and disclosures.

TURNOVER AND REVENUE RECOGNITION

Turnover comprises rental and service charge income receivable in the period net of rent and service charge loss from voids. Turnover also includes fees and revenue grants receivable from Local Authorities, Government departments and charitable bodies, amortisation of deferred capital grants, donations and income from fundraising activities and other services provided in the year (excluding VAT).

Rental income is recognised from the point when properties under development reach practical completion or otherwise become available for letting, net of any voids.

Revenue grants are receivable when the conditions for receipt of agreed grant funding have been met.

Donations and income from fundraising activities are recognised when the Group has entitlement to these and receipt is probable.

Charges for support services funded under Supporting People are recognised as they fall due under the contractual arrangements with Administering Authorities.

OTHER INCOME

Interest income

Interest income is accrued on a time-apportioned basis, by reference to the principal outstanding at the effective interest rate.

INTANGIBLE ASSETS

Software – Internal and external costs incurred during the preliminary stage of developing computer software for internal use are expensed as incurred. Internal and external costs incurred to develop computer software for internal use during the application development stage are capitalised if the company expects economic benefits from the development. Capitalisation in the application development stage begins once the company can reliably measure the expenditure attributable to the software development and has demonstrated its intention to complete and use the software. Software is amortised on a straight-line basis over its estimated useful life of 4 years.

Customer contracts- the cost of business combination is the fair value of the consideration given, liabilities incurred and the costs directly attributable to the business combination. The fair value of the separable identifiable customer contracts on acquisitions of subsidiaries is included in intangible assets. Gains and losses on the disposal of an entity include the carrying amount of the contract relating to the entity sold. Customer contracts are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated by applying the straight- line method to its estimated useful life of 2.5 years. This estimate is based on a variety of factors such as the expected use of the acquired business, the expected use of the cash generating units to which the contracts are attributed, any legal, regulatory or contractual provisions that can limit useful life and assumptions that market participants would consider in respect of similar businesses. Customer contracts are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2022

TANGIBLE FIXED ASSETS – HOUSING PROPERTIES

Housing properties are properties for the provision of social housing and are principally properties available for rent.

Completed housing properties are stated at cost less accumulated depreciation and impairment losses. Cost includes the cost of acquiring land and buildings, and expenditure incurred during the development period.

Works to existing properties which replace a component that has been treated separately for depreciation purposes, along with those works that enhance the economic benefits of the assets, are capitalised as improvements. Such enhancements can occur if improvements result in:

- An increase in rental income;
- A material reduction in future maintenance costs;
- A significant extension to the life of the property;

DONATED LAND AND OTHER ASSETS

Land or other assets which have been donated by a government source is added to the cost of assets at the fair value of the land at the time of the donation. The difference between the fair value of the asset donated and the consideration paid is treated as a non-monetary government grant and included within the Statement of Financial Position as a liability. The terms of the donation are considered to be performance related conditions. Where the donation is not from a public source, the value of the donations less the consideration is included in income.

GOVERNMENT GRANTS

Government grants include grants receivable from Homes England, local authorities and other government bodies.

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

Government grants received for housing properties are recognised as income over the useful economic life of the structure of the asset and, where applicable, the individual components of the structure (excluding land) under the accruals model.

Government grants relating to revenue are recognised as income over the periods when the related costs are incurred once reasonable assurance has been gained that the Association will comply with the conditions and the funds will be received.

OTHER GRANTS

Grants received from non-government sources are recognised using the performance model. Grants are recognised as income when the associated performance conditions are met.

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 March 2022

DEPRECIATION OF HOUSING PROPERTIES

Freehold land or assets under construction are not depreciated.

The Group separately identifies the major components of its housing properties and charges depreciation so as to write-down the cost of each component to its estimated residual value, on a straight line basis over the shorter of the length of the lease or the following years:

Structure	60 years
Land	Nil
Kitchens	10 years
Bathrooms	15 years
Pitch roof	60 years
Flat roof	20 years
Windows	25 years
Electrical works	15 years
Boilers	10 years

LAND AND PROPERTIES HELD FOR SALE

Land and properties surplus to requirements are classified as held for sale and stated at the lower of carrying amount and net realisable value.

IMPAIRMENTS OF FIXED ASSETS

An assessment is made at each reporting date of whether indications exist that an Asset or Cash Generating Unit (CGU) may be impaired, or that an impairment loss previously recognised has fully or partially reversed. If such indications exist, the Group estimates the recoverable amount of the asset.

Service potential of an asset and cash flow generation are considered in our assessment. Where there is an indication that an asset or CGU may be impaired, the recoverable amount of any affected asset or CGU is estimated and compared with its carrying amount. The recoverable amount is the higher of fair value less costs to sell and value in use. The fair value less cost to sell is estimated using the market value of the property less cost to sell where a market exists, or the existing use value calculation.

Recognising that the asset may not be held primarily to generate cash but is also to provide a social benefit If the recoverable amount is less than the carrying amount then the carrying amount is compared to the Replacement Cost and if the Replacement Cost is higher no impairment is recognised.

Impairment losses are recognised through expenditure.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Reversals of impairment losses are recognised through expenditure. On reversal of an impairment loss, the depreciation or amortisation is adjusted to allocate the asset's revised carrying amount (less any residual value) over its remaining useful life.

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 March 2022

OTHER TANGIBLE FIXED ASSETS

Tangible fixed assets are initially measured at cost, net of depreciation and any impairment losses. Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost of each asset to its estimated residual value on a straight line basis over its expected useful life, as follows:-

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

Residual value is calculated on prices prevailing at the reporting date, after estimated costs of disposal, for the asset as if it were at the age and in the condition expected at the end of its useful life.

TAXATION

St Mungo Community Housing Association has charitable status and is registered with the Charity Commission and is therefore exempt from paying Corporation Tax on charitable activities.

Irrecoverable VAT is not separately analysed and is charged to expenditure when incurred. It is allocated as part of the expenditure to which it relates.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is not discounted.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable surpluses.

Deferred tax is recognised on income or expenses from subsidiaries that will be assessed to or allow for tax in a future period except where the Group is able to control the reversal of the timing difference and it is probable that the timing difference will not reverse in the foreseeable future.

Current and deferred tax is charged or credited as income or expenditure, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

LEASES

Operating Leases

The Group enters into operating leases, the annual rentals are charged to expenditure on a straight line basis over the lease term. Rent free periods or other incentives received for entering into an operating lease are accounted for as a reduction to the expense and are recognised, on a straight-line basis over the lease term.

EMPLOYEE BENEFITS

The costs of short-term employee benefits are recognised as a liability and an expense. Employees are entitled to carry forward up to five to ten days of any unused holiday entitlement at the reporting date. The cost of any unused entitlement is recognised in the period in which the employee's services are received.

The best estimate of the expenditure required to settle an obligation for termination benefits is recognised immediately as an expense when the Group is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 March 2022

RETIREMENT BENEFITS

Defined contribution plans

For defined contribution schemes the amount charged is the contributions payable in the year. Differences between contributions payable in the year and contributions paid are shown as either accruals or prepayments.

Defined benefit plans

The group participated in one (2021: two) funded multi-employer defined benefit schemes, the Social Housing Pension Scheme (SHPS) and Pension Trust's Growth Plan (GP). Both schemes are closed to new joiners.

For the GP, contributions were recognised in the period to which they relate as there is insufficient information available to use defined benefit accounting. A liability is recognised for contributions arising from an agreement with the multi-employer plan that determines how the Group will fund a deficit. Contributions are discounted when they are not expected to be settled wholly within 12 months of the period end. In the year ended 31 March 2021 the Group settled this liability for £64,000.

The Association participated in the Social Housing Pension Scheme, a multi-employer scheme which provides benefits to some 500 non-associated employers. The scheme is a defined benefit scheme in the UK.

On 9 November 2020 the Association exited from this scheme and transferred the scheme assets to a new scheme – the St Mungo's Defined Benefit Pension Scheme.

This is a separate trustee administered fund set up on 2 November 2020. The scheme holds the pension scheme assets to meet long term pension liabilities.

Scheme liabilities have been based on data provided for the SHPS actuarial valuation as at 30 September 2019 updated to 31 March 2022 by a qualified actuary, independent of the scheme's sponsoring employer. Changes to the position go through the Other Comprehensive Income statement and not through the normal income and expenditure account, as there is not sufficient information to restate the comparative. The rate used to discount the benefit obligations to their present value is based on market yields for high quality corporate bonds with terms and currencies consistent with those of the benefit obligations.

The scheme is administered by trustees and is independent of the Group finances. Contributions are paid to the scheme in accordance with the recommendations of an independent actuary to enable the trustees to meet from the scheme the benefits accruing in respect of current and future service. The cost of providing benefits is determined using the projected unit credit method.

The net defined benefit asset/liability represents the present value of the defined benefit obligation minus the fair value of plan assets out of which obligations are to be settled. Any asset resulting from this calculation is limited to the present value of available refunds or reductions in future contributions to the plan.

Surpluses or deficits recognised in the Statement of Comprehensive Income:

- The change in the net defined benefit liability arising from employee service during the year is recognised as an employee cost
- The cost of plan introductions, benefit changes, settlements and curtailments are recognised as incurred.
- Net interest on the defined benefit asset/liability comprises the interest cost on the defined benefit obligation and interest income on plan assets, calculated by multiplying the fair value of the plan assets at the beginning of the period by the rate to discount the benefit obligations.

Surpluses or deficits recognised in other comprehensive income

- Actuarial surpluses and deficits
- The difference between the interest income on the plan assets and the actual return on the plan assets.

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 March 2022

FINANCIAL INSTRUMENTS

The Group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102, in full, to all of its financial instruments. Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument, and are offset only when the Group currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets

Debtors

Debtors which are receivable within one year and which do not constitute a financing transaction are initially measured at the transaction price. Debtors are subsequently measured at amortised cost, being the transaction price less any amounts settled and any impairment losses.

A provision for impairment of debtors is established when there is objective evidence that the amounts due will not be collected according to the original terms of the contract. Impairment losses are recognised in income for the excess of the carrying value of the debtor over the present value of the future cash flows discounted using the original effective interest rate. Subsequent reversals of an impairment loss that objectively relate to an event occurring after the impairment loss was recognised, are recognised immediately in income.

Financial liabilities

Creditors

Creditors payable within one year that do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled.

Borrowings

Borrowings are initially recognised at the transaction price, including transaction costs, and subsequently measured at amortised cost using the effective interest method. Interest expense is recognised on the basis of the effective interest method and is included in interest payable and other similar charges.

De-recognition of financial assets and liabilities

A financial asset is de-recognised only when the contractual rights to cash flows expire or are settled, or substantially all the risks and rewards of ownership are transferred to another party, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party. A financial liability (or part thereof) is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

PROVISIONS

Provisions are recognised when the Group has an obligation at the reporting date as a result of a past event which it is probable will result in the transfer of economic benefits and that obligation can be estimated reliably. Provisions are measured at the best estimate of the amounts required to settle the obligation. Where the effect of the time value of money is material, the provision is based on the present value of those amounts, discounted at the pre-tax discount rate that reflects the risks specific to the liability. The unwinding of the discount is recognised within interest payable and similar charges.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2022

RESERVES

The Group establishes restricted funds for specific purposes where their use is subject to restrictions imposed by third parties. Designated reserves are established as appropriate and are part of unrestricted free reserves.

CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 2, the Trustees are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions of estimates are recognised in the accounting period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical accounting policies where judgements or estimation are necessarily applied are summarised below.

Impairment

The Group determines whether non-current assets are impaired on annual basis. Any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

Defined benefit pension plan

The cost of defined benefit pension plans and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2022

3. TURNOVER, COST OF SALES, OPERATING COSTS AND OPERATING SURPLUS

2022: GROUP

	Turnover £million	Operating expenditure £million	Operating surplus/(deficit) £million
SOCIAL HOUSING ACTIVITIES			
Income and expenditure from social housing lettings (note 4)	38.8	38.8	-
OTHER SOCIAL HOUSING ACTIVITIES			
Supporting people contract income	20.4	22.3	(1.9)
NON SOCIAL HOUSING ACTIVITIES			
Support Services	27.2	34.0	(6.8)
Fundraising	12.9	3.9	9.0
Pandemic response	8.7	7.4	1.3
Real Lettings	10.7	12.2	(1.5)
	118.7	118.6	0.1

2021: GROUP

	Turnover £million	Operating expenditure £million	Operating surplus/(deficit) £million
SOCIAL HOUSING ACTIVITIES			
Income and expenditure from social housing lettings (note 4)	38.4	37.7	0.7
OTHER SOCIAL HOUSING ACTIVITIES			
Supporting people contract income	20.9	21.3	(0.4)
NON SOCIAL HOUSING ACTIVITIES			
Support Services	25.5	35.1	(9.6)
Fundraising	16.1	3.7	12.4
Pandemic	11.3	12.9	(1.6)
Real Lettings	9.8	12.3	(2.5)
	122.0	123.0	(1.0)

2022: Association

	Turnover £million	Operating expenditure £million	Operating surplus/(deficit) £million
SOCIAL HOUSING ACTIVITIES			
Income and expenditure from social housing lettings (note 4)	38.8	38.8	-
OTHER SOCIAL HOUSING ACTIVITIES			
Supporting people contract income	20.4	22.3	(1.9)
NON SOCIAL HOUSING ACTIVITIES			
Support Services	27.3	34.0	(6.7)
Fundraising	12.9	3.9	9.0
Pandemic response	8.7	7.4	1.3
Real Lettings	10.7	12.2	(1.5)
	118.8	118.6	0.2

2021: Association

	Turnover £million	Operating expenditure £million	Operating surplus/(deficit) £million
SOCIAL HOUSING ACTIVITIES			
Income and expenditure from social housing lettings (note 4)	38.4	37.7	0.7
OTHER SOCIAL HOUSING ACTIVITIES			
Supporting people contract income	20.9	21.3	(0.4)
NON SOCIAL HOUSING ACTIVITIES			
Support Services	25.1	35.1	(10.0)
Fundraising	16.1	3.7	12.4
Pandemic Response	11.3	12.9	(1.6)
Real Lettings	9.8	12.3	(2.5)
	121.6	123.0	(1.4)

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2022

4. PARTICULARS OF INCOME AND EXPENDITURE FROM SOCIAL HOUSING LETTINGS

Group and Association

	2022				2021			
	Supported Housing	Care homes	Short stay housing	Total	Supported Housing	Care homes	Short stay housing	Total
	£million	£million	£million	£million	£million	£million	£million	£million
TURNOVER FROM SOCIAL HOUSING LETTINGS								
Rent receivable net of voids	10.0	2.1	0.3	12.4	10.6	1.5	0.7	12.8
Service charges net of voids	20.9	-	0.2	21.1	18.9	-	0.4	19.3
NET RENTAL INCOME	30.9	2.1	0.5	33.5	29.5	1.5	1.1	32.1
Other revenue grants	3.3	-	0.4	3.7	4.2	0.5	-	4.7
Amortisation of deferred capital grants	1.4	0.1	0.1	1.6	1.4	0.1	0.1	1.7
TURNOVER FROM SOCIAL HOUSING LETTINGS	35.6	2.2	1.0	38.8	35.1	2.1	1.2	38.4
EXPENDITURE ON SOCIAL HOUSING LETTINGS								
Management	8.8	1.5	0.3	10.6	9.8	1.7	0.2	11.7
Service charge costs	12.6	0.5	0.7	13.8	10.6	0.4	0.6	11.6
Routine maintenance	2.4	0.1	0.1	2.6	2.2	0.1	0.1	2.4
Planned maintenance	0.3	-	-	0.3	0.4	-	-	0.4
Bad debts	1.0	0.2	-	1.2	1.3	-	-	1.3
Depreciation charged	3.2	0.1	0.2	3.5	3.2	0.1	0.2	3.5
Landlord charges	6.5	-	-	6.5	6.2	-	-	6.2
Pandemic response	-	-	-	-	0.3	-	-	0.3
Other costs	0.3	-	-	0.3	0.3	-	-	0.3
OPERATING COSTS ON SOCIAL HOUSING LETTINGS	35.1	2.4	1.3	38.8	34.3	2.3	1.1	37.7
OPERATING SURPLUS/(DEFICIT) ON SOCIAL HOUSING LETTINGS	0.5	(0.2)	(0.3)	-	0.8	(0.2)	0.1	0.7
<i>Rent losses due to voids</i>	<i>3.8</i>	<i>0.1</i>	<i>-</i>	<i>3.9</i>	<i>2.1</i>	<i>0.1</i>	<i>0.2</i>	<i>2.4</i>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2022

5. ACCOMMODATION IN MANAGEMENT AND DEVELOPMENT

Group and Association	2022 Units	2021 Units
Supported Housing		
- Supported housing	2,327	2,345
- Care homes	55	55
- Short stay housing	37	69
Total number of Supported Housing managed units	2,419	2,469
Other Units		
- Real Lettings	748	828
- Owned but managed by another organisation	147	147
	3,314	3,444

6. INTEREST PAYABLE AND SIMILAR CHARGES

	Group 2022 £million	2021 £million	Association 2022 £million	2021 £million
Interest arising on;				
Unwinding of discount factor on pension deficit provision	0.2	0.2	0.2	0.2

7. OPERATING SURPLUS

	Note	Group 2022 £million	2021 £million	Association 2022 £million	2021 £million
Operating surplus is stated after charging/(crediting):					
Amortisation of intangible fixed assets	10a	0.1	-	0.1	0.1
Depreciation of housing properties	10b	3.5	3.5	3.5	3.5
Depreciation of other tangible fixed assets	10c	0.1	0.1	0.1	0.1
Operating lease rentals	20	12.4	11.9	12.4	11.9

Fees payable to RSM UK Audit LLP and its associates in respect of both audit and non- audit services are as follows;

	Group 2022 £'000	2021 £'000	Association 2022 £'000	2021 £'000
Audit services - statutory audit of the group (includes any irrecoverable VAT)	68	67	68	62
Other Services	-	6	-	6

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2022

8. EMPLOYEES

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

	Group and Association 2022 No.	Group and Association 2021 No.
Full time	1,321	1,345
Part time (full time equivalent 124) (2021:131)	163	178
Locums (full time equivalent 105) (2021:119)	176	197
	<u>1,660</u>	<u>1,720</u>

Staff costs:

	Group and Association 2022 £million	Group and Association 2021 £million
Wages and salaries	61.3	65.4
Social security costs	5.1	5.2
Other pension costs and current service cost (note 21)	2.2	2.2
	<u>68.6</u>	<u>72.8</u>

Included in Wages and salaries is £7.6m paid to agencies for temporary staff (2021: £9.9m).

The full time equivalent number of staff who received remuneration (excluding trustees, including executive directors):

	2022	2021
£60,001 - £70,000	9	9
£70,001 – £80,000	11	9
£80,001 – £90,000	6	6
£90,001 – £100,000	2	3
£110,001 – £120,000	1	2
£130,001 – £140,000	1	3
£150,001 - £160,000	1	-
£180,000 - £190,000	1	1

EXECUTIVE DIRECTORS

The key management of the charity, as at 31 March 2022, comprised the Chief Executive and the five directors of the organisation (Director of People, Culture and Transformation, Finance Director, Client Services Director, Director of Housing Services and Director of Strategy and Development). The total remuneration and benefits, including salary and employer's pension contributions, of the key management personnel of the charity are outlined below:

	2022 £	2021 £
Remuneration and fees	735,612	777,765
Association contributions to money purchase pension schemes	28,154	45,123
Compensation for loss of office	155,497	80,000
	<u>919,263</u>	<u>902,888</u>

Pension contributions were paid on behalf of key management personnel. The amount paid to the highest paid director (the Chief Executive), including pension contributions, was £189,418 (2021: £180,373). He was an ordinary member of the Association's Aviva defined contribution pension scheme and no enhancement or special terms applied. The Association does not make any further contributions to an individual pension arrangement for the Chief Executive. None of the Trustees received any emoluments in the year. Trustees claimed £290 in expenses during the year (2021: £120). Remuneration paid to key management personnel includes amounts paid to Executive Directors (inclusive of National Insurance) and Trustees, during the period this amounted to £1,027,244 (2021: £1,002,507).

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2022

9. TAXATION

Factors affecting the tax charge for the year.

The tax assessed for the year is lower than the standard rate of corporation tax in the UK (19%). The differences are explained below:

	Group		Association	
	2022	2021	2022	2021
	£million	£million	£million	£million
(Deficit) on ordinary activities before tax	-	(1.2)	0.1	(1.6)
(Deficit) on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2020: 19%)	-	(0.2)	-	(0.3)
Effects of:				
Exempt charitable activities	-	0.2	-	0.3
Tax expense	-	-	-	-

Any profits are donated by gift aid by the subsidiaries. No UK corporation tax has arisen in the period to 31 March 2022 (31 March 2021: £nil). As any profits are donated by gift aid no deferred tax asset is recognised in respect of any tax losses carried forward.

10A. INTANGIBLE FIXED ASSETS

Group

£'000

Cost

At 1 April 2020	0.6
Additions	0.4
At 31 March 2021	1.0
Additions	0.5
At 31 March 2022	1.5

Depreciation and impairment

At 1 April 2020	-
Depreciation charged in year	-
At 31 March 2021	-
Depreciation charged in year	0.1
At 31 March 2022	0.1

Carrying amount

31 March 2022	1.4
31 March 2021	1.0

Internal and external costs associated with developing computer software for own use.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2022

10A. INTANGIBLE FIXED ASSETS (continued)

Association	IT software £million	Customer Contracts £million	Total £million
Cost			
At 1 April 2020	0.6	0.1	0.7
Additions	0.4	-	0.4
At 31 March 2021	1.0	0.1	1.1
Additions	0.5	-	0.5
At 31 March 2022	1.5	0.1	1.6
Depreciation and impairments			
At 1 April 2020	-	-	-
Depreciation charged in year	-	0.1	0.1
At 31 March 2021	-	0.1	0.1
Depreciation charged in year	0.1	-	0.1
At 31 March 2022	0.1	0.1	0.2
Net Book Value			
At 31 March 2022	1.4	-	1.4
At 31 March 2021	1.0	-	1.0

10B. TANGIBLE FIXED ASSETS – HOUSING PROPERTIES

Group and Association

Social housing properties held for letting

	Completed properties £million	Properties under construction £million	Total £million
Cost			
At 1 April 2020	116.1	0.2	116.3
Properties acquired	2.3	-	2.3
Works to existing properties	0.8	0.2	1.0
Schemes completed	0.1	(0.1)	-
Disposals	(0.2)	-	(0.2)
At 31 March 2021	119.1	0.3	119.4
Properties acquired	1.0	-	1.0
Works to existing properties	1.0	0.6	1.6
Schemes completed	0.3	(0.3)	-
Disposals	(0.1)	-	(0.1)
At 31 March 2022	121.3	0.6	121.9
Depreciation and impairments			
At 1 April 2020	33.4	-	33.4
Depreciation charged in year	3.5	-	3.5
Released on disposal	(0.2)	-	(0.2)
At 31 March 2021	36.7	-	36.7
Depreciation charged in year	3.5	-	3.5
Released on disposal	(0.1)	-	(0.1)
At 31 March 2022	40.1	-	40.1
Net Book Value			
At 31 March 2022	81.2	0.6	81.8
At 31 March 2021	82.4	0.3	82.7

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2022

10B. TANGIBLE FIXED ASSETS – HOUSING PROPERTIES (continued)

At each reporting date an assessment must be made of whether any indicators of impairment exist. A review has been undertaken and no impairment indicators have been identified as a result of the assessment. Cumulative impairments on housing properties amounted to £nil at 31 March 2022 (2021: £nil). Development and works to existing properties include capitalised administration costs of £0.3m (2021: £0.2m).

EXPENDITURE ON WORKS TO EXISTING PROPERTIES

Group and Association

	2022 £million	2021 £million
Total capitalised costs in respect of existing properties and replacement components	1.6	1.0
Amounts charged to income and expenditure	-	-
	<u>1.6</u>	<u>1.0</u>

HOUSING PROPERTIES BY TENURE

Group and Association

	2022 £million	2021 £million
Freehold land and buildings	72.2	72.7
Long leasehold land and buildings	7.0	7.2
Short leasehold land and buildings	2.6	2.8
	<u>81.8</u>	<u>82.7</u>

10C. TANGIBLE FIXED ASSETS – OTHER

Group and Association

	Computers Equipment £million	Furniture and Equipment £million	Leasehold improvements £million	Total £million
Cost				
As at 31 March 2020, 2021 and 2022	<u>0.1</u>	<u>0.3</u>	<u>0.8</u>	<u>1.2</u>
Depreciation and impairment				
31 March 2020	0.1	0.3	0.1	0.5
Depreciation charged in year	-	-	0.1	0.1
31 March 2021	<u>0.1</u>	<u>0.3</u>	<u>0.2</u>	<u>0.6</u>
Depreciation charged in year	-	-	0.1	0.1
31 March 2022	<u>0.1</u>	<u>0.3</u>	<u>0.3</u>	<u>0.7</u>
Carrying amount				
31 March 2022	<u>-</u>	<u>-</u>	<u>0.5</u>	<u>0.5</u>
31 March 2021	<u>-</u>	<u>-</u>	<u>0.6</u>	<u>0.6</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2022

11. INVESTMENT IN SUBSIDIARIES AND ASSOCIATES

Association	2022	2021
Investment in subsidiaries	£million	£million
Cost		
At start of period	0.1	0.1
At end of period	0.1	0.1

Group	2022	2021
Share of associate – Social Impact Bristol Limited	£million	£million
Share of (loss)/profit in associate	-	-
Share of:		
Current Assets	-	0.1
Creditors	-	(0.1)

The St Mungo Community Housing Association subsidiary undertakings are:

<i>Name of undertaking</i>	<i>Class of shareholding</i>	<i>Country of incorporation</i>	<i>Proportion of nominal value held directly</i>	<i>Nature of Business</i>
Broadway Homelessness and Support	Ordinary	England	100%	Dormant
Street Impact London Limited	Ordinary	England	100%	Dormant.
Street Impact Brighton Limited	Ordinary	England	100%	Dormant.
St Mungo's Homes Limited	Ordinary	England	100%	Dormant.

Additionally St Mungo Community Housing Association owns 33% of Social Impact Bristol Limited.

12. DEBTORS

	Group		Association	
	2022	2021	2022	2021
	£million	£million	£million	£million
Amounts falling due within one year:				
Rent and services receivable	8.2	5.7	8.2	5.7
Less: provision for bad and doubtful debts	(5.1)	(3.8)	(5.1)	(3.8)
	3.1	1.9	3.1	1.9
Trade debtors	11.1	10.1	11.1	10.0
Other debtors	-	0.1	-	0.1
Prepayments and accrued income	4.6	5.9	4.6	5.7
Capital grant receivable	0.8	0.9	0.8	0.9
	19.6	18.9	19.6	18.6

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2022

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Association	
	2022	2021	2022	2021
	£million	£million	£million	£million
Rent and service charges received in advance	5.7	4.2	5.7	4.2
Deferred capital grants (note 15)	1.6	1.5	1.6	1.5
Trade creditors	2.1	3.0	2.1	3.0
Amounts owed to subsidiary undertakings	-	-	0.1	0.1
Other taxation and social security costs	1.7	2.3	1.7	2.2
Other creditors	0.7	0.4	0.7	0.4
Accruals and deferred income	15.1	13.6	15.1	13.6
	26.9	25.0	27.0	25.0

14. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Association	
	2022	2021	2022	2021
	£million	£million	£million	£million
Recycled capital grant	0.5	0.5	0.5	0.5
Deferred capital grants (note 15)	71.5	72.8	71.5	72.8
	72.0	73.3	72.0	73.3

15. DEFERRED CAPITAL GRANT

Association and Group	2022	2021
	£million	£million
As at 1 April	74.3	74.2
Grant received in the year	0.5	1.7
Capital grant released	(1.7)	(1.6)
As at 31 March	73.1	74.3

In full the Association has received Social Housing Grants of £103,322,000 from Government Bodies (2021: £102,765,000). The Association intends to use the recycled grant to fund new property development activities furthering the Associations aims and objectives.

Recycled Capital Grant

	2022	2021
	£million	£million
As at 1 April	0.5	0.5
As at 31 March	0.5	0.5

16. PROVISIONS FOR LIABILITIES

Group and Association

	Dilapidations	Total
	£million	£million
1 April 2020	2.0	2.0
Additional provision in year	1.5	1.5
31 March 2021	3.5	3.5
Utilised in the year	(0.3)	(0.3)
Additional provision in year	0.8	0.8
31 March 2022	4.0	4.0

Dilapidations: This represents the anticipated cost of making good properties at the end of their lease terms.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2022

17. MEMBERS AND RESERVES

The Association is limited by guarantee and consequently has no share capital. Each of the Association's members agrees to contribute £1 in the event of the Association winding up.

	2022 No.	2021 No.
Number of members		
1 April	12	13
Joined during the year	3	-
Left during year	(3)	(1)
31 March	<u>12</u>	<u>12</u>

	At 1 April 2021 £million	Income £million	Expenditure £million	At 31 March 2022 £million
RESTRICTED RESERVES				
Recovery College	0.9	0.8	(0.9)	0.8
Oxford Mental Health	0.5	-	-	0.5
HomelessWise	0.2	0.2	(0.4)	-
Putting Down Roots	0.1	0.2	(0.3)	-
Other	0.7	1.5	(1.7)	0.5
Total	<u>2.4</u>	<u>2.7</u>	<u>(3.3)</u>	<u>1.8</u>

Restricted reserves

The reserves represent the value of donations and grants which are expendable in furtherance of some particular aspect of the objects of the Association.

18. RECONCILIATION OF PROFIT AFTER TAX TO NET CASH GENERATED FROM OPERATIONS

Group	2022 £million	2021 £million
(Deficit) / for the year	(0.1)	(1.2)
Interest payable	0.2	0.2
Operating Surplus / (Deficit)	0.1	(1.0)
Defined Benefit Pension Scheme payment toward deficit	(1.6)	(1.4)
<i>Adjustments for non-cash items:</i>		
Amortisation of capital grant	(1.7)	(1.6)
Amortisation of intangible assets	0.1	-
Depreciation of tangible fixed assets	3.6	3.6
Increase in provisions	0.5	1.5
Defined Benefit Pension costs recognised in Statement of Comprehensive Income	0.1	0.1
Operating cash flows before movements in working capital	1.1	1.2
(Increase) in trade and other debtors	(0.8)	(1.9)
Increase in trade and other creditors	1.8	5.2
Cash generated from operations	2.1	4.5

	2022 £million	2021 £million
Cash and cash equivalents represent:-		
Cash at bank	0.1	(0.4)
Short-term deposits	22.4	23.3
	<u>22.5</u>	<u>22.9</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2022

19. CAPITAL COMMITMENTS AND OTHER CONTRACTUAL OBLIGATIONS
Group and Association

	2022 £million	2021 £million
Capital expenditure contracted for but not provided in the financial statements	1.4	1.0
Expenditure authorised by the Board, but not contracted	9.9	6.1
	<u>11.3</u>	<u>7.2</u>

These liabilities will be met by the use of free cash reserves.

20. COMMITMENTS UNDER OPERATING LEASES
Group and Association

	2022 £million	2021 £million
The total future minimum lease payments are payable:		
Within one year	6.9	11.1
Between one and five years	9.4	13.9
After five years	2.5	3.3
	<u>18.8</u>	<u>28.3</u>

21. RETIREMENT BENEFITS

Social Housing Pension Scheme (SHPS) - defined benefit scheme

The Association participated in the Social Housing Pension Scheme, a multi-employer scheme which provides benefits to some 500 non-associated employers. The scheme is a defined benefit scheme in the UK. In November 2020 the Association exited from this scheme and transferred the scheme assets to a new scheme – the St Mungo's Defined Benefit Pension Scheme. St Mungo's changed its employee pension scheme from the Pensions Trust to Aviva in November 2020.

Defined contribution pension schemes

The Group participates in a number of defined contribution pension schemes for all qualifying employees.. The assets of the schemes are held separately from those of the Group in independently administered funds. On the 9th of November Aviva became our company defined contribution pension scheme. Employees who previously held assets in the Pension Trust were subject to a bulk transfer to the new scheme, with the exception of those staff who had linked benefits to their Pensions Trust administered Defined Benefit Scheme. Employees in Scottish Widows and Nest have all future contributions being paid to Aviva and the choice to consolidate their pension within Aviva should they wish. The contributions payable by the Group are charged to expenditure, and contributions payable to the fund at the year-end are included in creditors as follows:

Administrator	Contributions payable charged to Statement of Comprehensive Income		Contributions payable to the fund included in creditors	
	2022 £million	2021 £million	2022 £million	2021 £million
Scottish Widows		0.1	-	-
Pensions Trust	0.1	1.3	-	-
Aviva	2.1	0.8	(0.4)	(0.3)
	<u>2.2</u>	<u>2.2</u>	<u>(0.4)</u>	<u>(0.3)</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2022

21. RETIREMENT BENEFIT CONTINUED

SOCIAL HOUSING PENSION SCHEME

The Association participated in the Social Housing Pension Scheme, a multi-employer scheme which provides benefits to some 500 non-associated employers. The scheme is a defined benefit scheme in the UK. On 9 November 2020 the Association exited from this scheme and transferred the scheme assets to a new scheme – the St Mungo's Defined Benefit Pension Scheme.

This is a separate trustee administered fund set up on 9 November 2020 following the transfer of assets and obligations from the Social Housing Pension Scheme (SHPS). The scheme holds the pension scheme assets to meet long term pension liabilities. Scheme liabilities have been based on data provided for the SHPS actuarial valuation as at 30 September 2019 updated to 31 March 2022 by a qualified actuary, independent of the scheme's sponsoring employer. The major assumptions used by the actuary are shown below.

Following the bulk transfer from SHPS as at 9 November 2020, in accordance with the interim Schedule of Contributions, the employer agreed to pay deficit contributions of £1,500,000 per annum increasing at 2% on each 1 April. In addition, the employer will pay contributions in respect of scheme expenses equal to £81,000 per annum. Contribution payments will be reviewed once the scheme undertakes its first actuarial valuation as at 30 September 2021.

DEFINED BENEFIT PENSION LIABILITY

	2022	2021
	£million	£million
1 April	10.6	10.1
Defined benefit costs recognised in Statement of Comprehensive Income	0.3	0.3
Defined benefit (gains) / costs recognised in Other Comprehensive Income	(1.2)	1.6
Deficit contribution paid	(1.6)	(1.4)
31 March	<u>8.1</u>	<u>10.6</u>

PRESENT VALUE OF DEFINED BENEFIT OBLIGATION, FAIR VALUE OF ASSETS AND DEFINED BENEFIT LIABILITY

	2022	2021
	£million	£million
Fair value of plan assets	43.6	40.8
Present value of defined benefit obligation	(51.7)	(51.4)
Deficit in plan	(8.1)	(10.6)
Unrecognised surplus	-	-
Defined benefit liability to be recognised	(8.1)	(10.6)
Deferred Tax	-	-
Net defined benefit liability to be recognised	<u>(8.1)</u>	<u>(10.6)</u>

RECONCILIATION OF OPENING AND CLOSING BALANCES OF THE DEFINED BENEFIT OBLIGATION

	2022	2021
	£million	£million
Defined benefit obligation at start of period	51.4	47.5
Interest expense	1.1	1.0
Actuarial losses / (gains) due to scheme experience	0.9	(1.3)
Actuarial losses / (gains) due to changes in demographic assumptions	2.1	(0.8)
Actuarial (gains) / losses due to changes in financial assumptions	(2.9)	5.7
Benefits paid and expenses	(0.9)	(0.7)
Defined benefit obligation at end of period	<u>51.7</u>	<u>51.4</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2022

21. RETIREMENT BENEFIT CONTINUED

RECONCILIATION OF OPENING AND CLOSING BALANCES OF THE FAIR VALUE OF PLAN ASSETS

	2022	2021
	£million	£million
Fair value of plan assets at start of period	40.8	37.4
Interest income	0.9	0.8
Experience on plan assets (excluding amounts added as interest income) gain	1.2	2.0
Contributions by the employer	1.6	1.4
Benefits paid and expenses	(0.9)	(0.8)
Fair value of plan assets at end of period	<u>43.6</u>	<u>40.8</u>

The actual return on plan assets (including any changes in share of assets) over the year ended 31 March 2022 was £2,123,000 (year ended 31 March 2021 - £2,813,000).

DEFINED BENEFIT COSTS RECOGNISED IN STATEMENT OF COMPREHENSIVE INCOME (SOCl)

	2022	2021
	£million	£million
Expenses	0.1	0.1
Net interest expense	0.2	0.2
Defined benefit costs recognised in statement of comprehensive income (SoCI)	<u>0.3</u>	<u>0.3</u>

DEFINED BENEFIT COSTS RECOGNISED IN OTHER COMPREHENSIVE INCOME

	2022	2021
	£million	£million
Experience on plan assets (excluding amounts included in net interest cost) – gain	1.2	2.0
Experience gains and losses arising on the plan liabilities – (loss) / gain	(0.8)	1.3
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation – (loss) / gain	(2.1)	0.8
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation – gain / (loss)	2.9	(5.7)
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) – gain / (loss)	<u>1.2</u>	<u>(1.6)</u>
Total amount recognised in other comprehensive income – gain / (loss)	<u>1.2</u>	<u>(1.6)</u>

ASSETS

	2022	2021
	£million	£million
Equity	4.5	2.5
Bonds	8.6	8.7
Property	3.4	2.6
Cash	0.5	1.0
Other	12.6	12.8
LDI	14.0	13.2
Total assets	<u>43.6</u>	<u>40.8</u>

None of the fair values of the assets shown above include any direct investments in the employer's own financial instruments or any property occupied by, or other assets used by, the employer.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2022

21. RETIREMENT BENEFIT CONTINUED

KEY ASSUMPTIONS

	2022	2021
	% per annum	% per annum
Discount Rate	2.80	2.20
Inflation (RPI)	3.50	3.15
Inflation (CPI)	3.20	2.80
Salary Growth	2.80	2.80
	75% of maximum allowance	75% of maximum allowance
Allowance for commutation of pension for cash at retirement		

	2022	2021
	(Years)	(Years)
The mortality assumptions adopted imply the following life expectancies on retirement age 65:		
Male retiring in 2022	21.6	21.7
Female retiring in 2022	24.0	23.5
Male retiring in 2042	23.2	23.0
Female retiring in 2042	25.5	24.7

PENSION TRUST – GROWTH PLAN

The Group participated 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 Group to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it accounted for the scheme as a defined contribution scheme.

The Group settled this liability in 2020/2021 for £64,000.

22. LOCAL GOVERNMENT HOUSING ACT 1998

The total grant available from the Association of London Government and London Councils for the year ended 31 March 2022 for the Assertive Offender Resettlement Project was £251,378 (2021: £251,378). The analysis below summarises what the grants were awarded for and how they have been used:

London Councils – Assertive Offender Resettlement

	Grant	Spend
	£000	£000
Salaries	190	161
Beneficiary costs	14	6
Running costs	47	36
	<u>251</u>	<u>203</u>

As at the 31 March 2022 the amount of grant unspent and therefore not received was £48,509 (2021:£4,619).

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2022

23. NATIONAL LOTTERY COMMUNITY FUND

We received no funding from the National Lottery in 2021-22. In 2020-21 three of our projects were funded by the National Lottery through the National Lottery Community Fund:

- National Lottery Community Fund Our Bright Future grant investment towards Putting Down Roots for Young People was £nil (2021: £133,040) during the year. The project has now ended.
- National Lottery Community Fund Reaching Communities grant investment towards the Recovery College Project was £nil during the year (2021: £70,171).
- National Lottery Community Fund Covid 19 Emergency Fund grant investment towards our pandemic response was £nil (2021: £210,445).

24. LEGISLATIVE PROVISIONS

The Association is incorporated under the Companies Act 2006 and registered with the Regulator of Social Housing and Charity Commission.

25. RELATED PARTY TRANSACTIONS

The following transactions are with 100% owned entities which are not regulated by the Regulator of Social Housing:

- Street Impact London Limited has been charged £82,754 (2021: £261,288) of delivery charges per the sub contract with the Association. £nil of these were owed as at 31 March 2022 (2021: £130,664).
- Street Impact Brighton has been charged £nil (2021: £133,271) of delivery charges per the sub contract to the Association. £nil of these were owed as at 31 March 2022 (2021: £nil).
- Street Impact Brighton donated £133,542 (2021: £31,275) to the Association during the year.
- Street Impact London donated £105,134 (2021: £nil) to the Association during the year
- £99,000 was owed by the Association to Broadway Homelessness and Support (2021: £99,000).

The following transactions are with a 33% owned entity which is not regulated by the Regulator of Social Housing:

- Social Impact Bristol has been charged £nil and has accrued £nil (2021: £150,878 and £25,495) of delivery charges per the sub contract to the Association.
- Social Impact Bristol Limited gifted £6,251 (2021: £49,780) to the Association during the year.

Company Registered number 08225808
Regulator of Social Housing number LH0279
Charity number 1149085

St Mungo Community Housing Association
(A company limited by guarantee)

ANNUAL REPORT AND FINANCIAL STATEMENTS
For the year ended 31 March 2022

**ST MUNGO COMMUNITY HOUSING ASSOCIATION REPORT AND FINANCIAL STATEMENTS FOR THE
YEAR ENDED 31 MARCH 2022**

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TRUSTEES AND ADVISORS

Board of Trustees: The Board of Trustees is the governing body of St Mungo Community Housing Association (St Mungo's). The Trustees are also the directors of the Association for the purpose of Company Law.

Trustees

Joanna Killian (Chair from 30 September 2021)
Tracy Allison
Rolande Anderson
Alexandra Beidas
Daniel Corry
Timothy Gadd
Darren Johnson (appointed 25 May 2021)
Robert Napier (CBE) (resigned 29 September 2021)
Teddy Nyahasha (appointed 25 May 2021)
Mark Pears (resigned 27 May 2022)
Susmita Sen (resigned 6 May 2022)
Bontle Senne
Stephen Smith (appointed 25 May 2021)
Helen Walters
John Watts

Company Secretary

Louise Wykes

Executive Officers

Steve Douglas - Chief Executive (deceased 8 May 2022)
Rebecca Sycamore - Executive Director of Development (appointed Interim Chief Executive May 2022)
Ranjeet Bhupla – Executive Director of IT and Transformation (appointed August 2021, resigned June 2022)
David Fisher - Executive Director of Services
Alison Muir – Executive Director of Housing (appointed August 2021)
Helen Giles - Executive Director of People and Governance (resigned 30 June 2021)
Jonathan Manuel – Executive Director of Finance (appointed July 2021)
Reta Robinson – Interim Executive Director of Development and Strategy (appointed May 2022)
Sonia Smith - Executive Director of Finance (retired 28 May 2021)

Registered Office

5th Floor
3 Thomas More Square
London
E1W 1YW

Auditors

RSM UK Audit LLP
Marlborough House
Victoria Road South
Chelmsford
Essex
CM1 1LN

Principal Solicitors

Ashfords LLP
1 New Fetter Lane
London
EC4A 1AN

Bankers

HSBC
123 Chancery Lane
London
WC2A 1QH

Company No.

08225808

Charity No.

1149085

Regulator of Social Housing Registration No.

LH0279

CHAIR'S STATEMENT

This is my first Chair's statement, having stepped into the role of Chair of Trustees in September 2021. Having been on the Board for several years prior to this, the hard work and dedication of everyone across the organisation did not come as a surprise to me. I would like to say a huge thank you to all of the staff and volunteers who have gone above and beyond to continue our services, keep our clients safe and drive our organisational strategy forward.

St Mungo's has never been an organisation to shy away from a challenge and this year has been no different. April 2021 saw us embark on the first year of our new five-year strategic plan, with our key ambition to end rough sleeping in England by 2026.

Our vision is being delivered through three strands of overarching work: delivering services, creating public empathy and understanding, and influencing policy. Our services help thousands of people every year, working with those already experiencing homelessness, those at risk of homelessness and those who are on their journey of recovery from homelessness. But we must ensure people know who we are and the positive impact we can have in empowering people to transform their lives, which is why our work to raise our profile and to ensure our expertise continues to be heard in Government so we can help to shape housing policy is equally as important.

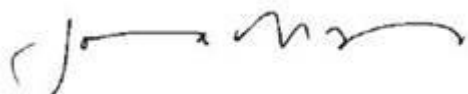
Despite 2021 being another challenging year as we moved through the phases of the coronavirus pandemic (Covid-19), we have made great progress in each of these areas, in particular through our work on the Kerslake Commission on Homelessness and Rough Sleeping. The Kerslake Commission was aimed at looking at the lessons that could be learned from the pandemic, particularly through different agencies working together. St Mungo's, acting as the secretariat to the commission, published two reports which achieved broad reach and awareness, engaging Local Authorities, health, housing and the homelessness sector, and achieving high levels of input from ministers and civil servants. The Kerslake Commission has been an opportunity to showcase St Mungo's as a thought leader as well as raising the organisation's profile. Since the report was launched in 2021, out of the 24 recommendations directed at the Government, to date 8 have been achieved and 3 partly met. This is a huge testament to the work of the commission, but in particular to the late Steve Douglas, who at the time was our CEO and a driving force behind this work. Sadly he passed away unexpectedly in May and never got to see the full fruition of his hard work. The achievements of this last year are dedicated to him.

Although we have made progress, we are facing challenges in the year ahead. We are in the middle of an escalating cost of living crisis, which we know will hit the most vulnerable people in our communities the hardest and there will no doubt be other emerging issues for us to respond to.

Looking ahead, we will be piloting approaches to prevention that build on the learning from existing service models such as Somewhere Safe to Stay and No First Night Out, and implementing our new Criminal Justice strategy. We will also be focusing on how we can best support people leaving our accommodation, and will be implementing our strategic delivery plan for Move On, including rolling out a Move On toolkit and developing our Move On training.

Our efforts will continue to focus on increasing public recognition of our work – one such opportunity is through showcasing our Putting Down Roots (PDR) garden at the RHS Chelsea Flower Show in May. We will also drive forward further action on the key recommendations made in the Kerslake Commission, with a first year report due in the autumn, which will rate progress against each recommendation.

Guided by our strategy, St Mungo's will continue to make itself an agile, resilient organisation so we can cope with whatever is thrown at us. Whatever we face, St Mungo's will continue to do what we can, 365 days a year, to support those who are homeless or at risk of homelessness.



Joanna Killian
Chair, 22 September 2022

STRATEGIC REPORT

The Trustees present the annual report and the audited financial statements for the year ended 31 March 2022. The financial position and results for the year are set out on pages 22 - 49 of these statements.

PRINCIPAL ACTIVITIES

St Mungo's is a leading homelessness charity with national influence. Working in partnership with local authorities, health colleagues and communities, our mission is to end homelessness and rebuild lives. We do this through:

- Supporting people experiencing homelessness and those who are at risk of homelessness,
- Increasing public understanding and empathy, and
- Advocating for policy change.

St Mungo's work in 2021-22 was shaped by the five year strategic plan for 2021-26 and our ambition is to end rough sleeping in England by 2026. We aim to deliver this ambition through each strand of our mission: delivering services, creating public empathy and understanding, and influencing policy.

Delivering services

In order to end rough sleeping we need to prevent it where possible, to reduce the number of people coming onto the streets, to provide effective support to those who are on the streets and to make sure the people we help are able to maintain accommodation and do not return to sleeping on the streets.

- In 2021-22, the number of people seen rough sleeping in the areas St Mungo's work has decreased by 2.9%.
- 80% of the people our outreach teams supported into accommodation from July to December 2021 had not been seen sleeping rough again by the end of March 2022.
- 87% of the people who left our accommodation in the last six months of 2021 had not been seen rough sleeping again by the end of March 2022.

Creating public empathy and understanding

Almost half of the public are 'very confident' that rough sleeping can be ended. To educate them about helping people experiencing rough sleeping, we engaged with audiences through awareness campaigns through 2021-22. Our HomelessWise campaign informed the public about how they can help people on the streets. The work of our Social Impact Bonds services highlighted our support towards people with long histories of rough sleeping. Countless stories of our work were equally promoted across social and traditional media. More than 78,400 people followed our social media channels, a 6.8% year on year increase, and we achieved 141,000 press mentions.

- 49% of the public believe that rough sleeping can be ended in England.
- 1% of the public have heard of St Mungo's unprompted, this is an area we want to improve on over the next four years as we increase our public profile.

Influencing policy

We continue to provide expert advice to numerous consultations about homelessness and related issues. We responded to nine consultations this year and have seen take up of our key policy recommendations in a number of areas.

In September 2021, the Kerslake Commission (for which St Mungo's acts as secretariat) published a report which made 48 recommendations for central Government, local authorities, homelessness organisations, housing providers and health organisations.

Of 48 recommendations made by the Kerslake commission:

- 12 have been achieved so far.
- 2 out of 5 recommendations made by the Kerslake commission for Health bodies have resulted in endorsement and action.

St Mungo's also advised on the NICE guidelines on 'Integrated health and social care for people experiencing homelessness' which were published in March. St Mungo's submitted a response to the draft guidelines and we were pleased to see that the final guidelines adopted more than half of the recommended changes we set out, including important additions on palliative care and frailty. These guidelines set the standards health providers are held to in providing care for our clients.

KEY MISSION AND PUBLIC BENEFIT

St Mungo's vision is that everyone has a place to call home and can fulfil their hopes and ambitions.

St Mungo's is a registered charity. In setting out our aims and planning our activities we have given careful consideration to the Charity Commission's general guidance on public benefit.

The Trustees ensure that the activities of the charity are consistent with its charitable objectives and aims. In our annual plans, the Trustees take into account the Charity Commission's general guidance on public benefit in relation to the prevention and relief of poverty, the advancement of education and health and the relief of those in need. The Trustees believe there is clear public benefit derived from the activities of our charity.

FUTURE PLANS

St Mungo's work over the next four years will be shaped by our 2021-2026 five-year strategic plan.

Delivering services: In 2022-23, we'll be piloting approaches to prevention of homelessness that build on the learning from our existing service models such as Somewhere Safe to Stay and No First Night Out, and will also be implementing our new Criminal Justice strategy. We will also be focussing on how we can best support people leaving our accommodation, and will be implementing our strategic delivery plan for Move On (including rolling out a Move On toolkit and developing our Move On training).

Creating public empathy and understanding: In 2022-23 we will focus on our efforts to increase public recognition of our work. We are planning a campaign to increase public awareness and response, which is due to launch in November. We will also be making the best of opportunities to raise awareness about our work, for example through showcasing our Putting Down Roots (PDR) garden at the RHS Chelsea Flower Show in May and through publication of the Kerslake Commission's year one progress report in September.

Influencing policy: In the next year our focus will be on getting further action on the key recommendations including through the Government's refreshed rough sleeping strategy. In September 2022 the Kerslake Commission will publish a year one progress report on its 2021 report, which will rate progress against each recommendation.

FINANCIAL PERFORMANCE

Income and Expenditure Review

After a very strong year in 2021, driven by pandemic related activity, income has reduced by 2.7% to £118.7m.

	2022 £m	2021 £m	Variance
Rent and Service Charges	44.2	41.6	6.3%
Support	61.6	64.3	-4.2%
Fundraising	12.9	16.1	-19.9%
Total Income	118.7	122.0	-2.7%

Rent and Service charge income has increased reflecting the annual CPI+1% increase together with adjustments to service charge levels that reflect the complexity of our service provision.

Support income shows a 4.2% decline vs. the previous year as the organisation started to return to business as usual after the emergency response during the pandemic. During the year, St Mungo's secured £6m incremental income through new services and improved contract variations. However, this was more than

offset by service closures, primarily driven by reduced emergency funding including completion of our work in 3 emergency hotels.

After an exceptional performance in the previous year due to pandemic related donations, as expected, fundraising income has reduced and is marginally ahead of our FY19/20 (i.e pre-pandemic) level with continuing strong support from both individual and corporate donors.

As well as being a core income stream, fundraising also enables St Mungo's to support a number of activities that would otherwise not have funding such as the Recovery Colleges and Putting Down Roots.

Our total expenditure has fallen by 3.6% to £118.6m. The reduction reflects in part the reduction in income, together with a rationalisation of central office activities, resulting in a reduction of 30 posts. In addition, a further reduction in staff costs is due to increased vacancies reflecting current challenges in the labour market.

The unrestricted surplus is £1.7m partly as a consequence of actuarial gains in respect of pension schemes of £1.2m but also consequent of unrestricted fundraising income coming in stronger and more than offsetting the impact of the reduced allocation of spend to the restricted I&E.

Balance sheet Review

Unrestricted reserves have improved to £13m reflecting the fundraising performance together with a pension credit and sit at the top of the trustee target range of £10m to £13m.

Net assets are 8% above FY21 driven by the pension credit. Fixed assets show a marginal decrease with new investment and depreciation largely offsetting and include a £0.4m increase in intangible assets representing further investment in a new rent and repairs management system. Debtors increased by 4% to £19.6m with the implementation of the new rents system causing an interim increase in the net rent debtor position. Current creditors increased by 8% to £26.9m with largely due to an increase in rents paid in advance.

The pension credit is based on FRS102 accounting and arises due to the gains on the assets of the defined benefit scheme. However, the Pension Trustees are coming to the end of triannual review of the scheme with the final report due by the end of the year. Based on preliminary discussions, the Directors anticipate that the review will require an increase in the scheme deficit to reflect required changes in the treatment of inflation.

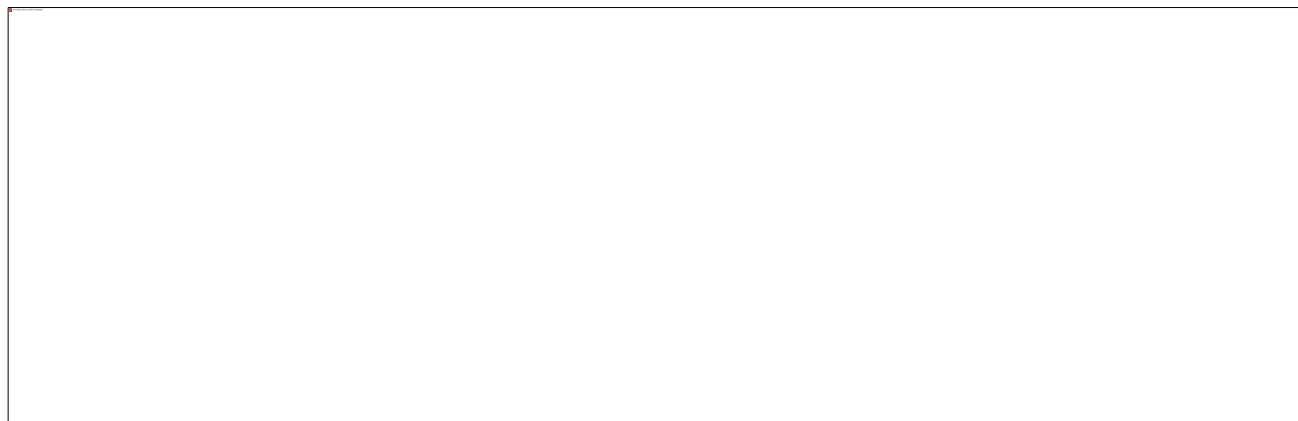
Cash Review

As a charity cash is our primary financial indicator, at £22.5m it is above the Trustee set range of £14m -£18m and marginally below 2021. Capital investment reflects a mix of Move-On accommodation and investment in the rents and repairs management system. Operating cash is positive as a result of higher creditors.

VALUE FOR MONEY

St Mungo's is a charity but also a registered provider of social housing and is obliged by the Regulator of Social Housing to provide an overview of its approach to Value for Money. This is set out below together with a set of indicators also required by the regulator. For St Mungo's, value for money means delivering our strategic objectives in the most cost effective way, that enables us to maximise our support to people who are homeless and remain financially sustainable for the long term. The Board regularly monitors performance through the budget and 5 year plan process, together with review of management accounts and latest forecast. Our strategy delivers homes that meet a wide range of requirements, from initial move off the street to longer term recovery, supporting clients through complex needs. St Mungo's regularly reviews the allocation of resource and assets to ensure the most effective support to our strategic objectives. As part of the budgeting process we also review specific opportunities for improvement, such as procurement savings, support contract margin and central overhead spend. However, as a charity we also choose to use fundraising income to invest in projects that generate no financial return, as they contribute to the core strategic goal to end rough sleeping.

The VFM measures as required by the Regulator of Social Housing are set out below. It should be noted that, given the complexity of needs of our tenant base, and given that St Mungo's is a charity with charitable goals and invests the maximum possible to support those goals, there will be significant variations in the measures for St Mungo's as set against the Housing Association sector average.



Reinvestment

St Mungo's continues to invest to improve our housing stock and to provide incremental bed-spaces. However, the re-investment rate is lower than target due to delayed acquisition of Move On accommodation in Bristol, which will now fall into 2022/2023.

New Supply (social)

St Mungo's continues to invest its own funds to provide additional bed spaces, but the supply rate is lower than target due to delayed acquisition of Move On accommodation in Bristol that will now fall into 2022/2023.

New Supply (Non-social)

St Mungo's does not own non-social units.

Gearing/EBITDA MRI Interest Cover

St Mungo's is debt free and therefore these measures do not apply.

Social Housing Cost per Unit

The cost per unit is ahead of target due to a higher than anticipated level of social housing as a result of contract gains, enabling more efficient use of resources and facilities. The costs incurred by St Mungo's are higher than the sector average due to a number of factors including the short term nature of our tenancies and hence much higher renewal rates and the level of staffing required to safely run support services.

Operating margin (social)

The in-year performance is below target due to higher than anticipated property service costs and landlord lease charges.

Operating margin (overall)

St Mungo's budgeted for a small deficit but has achieved a small operating surplus position due to lower than anticipated staff costs.

Return on Capital Employed

The achievement of a small operating surplus similarly means that the ROCE is not negative as anticipated.

This report was approved by the Board of Trustees on the 20th July 2022 and signed on its behalf by:

Joanna Killian
Chair: 22 September 2022

TRUSTEES' REPORT

The Trustees present the annual report and audited financial statements of St Mungo's for the year ended 31 March 2022. The financial position and results for the year are set out on pages 22 - 49 of these statements.

OBJECTIVES AND ACTIVITIES

The Trustees have reported St Mungo's strategic objectives and outlined our activities within the Strategic Report on pages 3 - 6.

STRUCTURE, GOVERNANCE AND MANAGEMENT

St Mungo Community Housing Association ("the Group"), a registered housing association and charity, is made up of a lead association and four directly and wholly owned subsidiaries.

Street Impact London Limited and Street Impact Brighton Limited, both wholly owned subsidiaries (companies limited by shares) provide housing and support to rough sleepers, these projects have now ended. Broadway Homelessness and Support (a registered charity and company limited by guarantee), holds a number of leasehold interests on behalf of St Mungo's, its parent. Broadway Real Enterprises Limited (a company limited by guarantee) was dissolved in September 2021 having transferred its activities to St Mungo Community Housing Association.

St Mungo's Homes Limited (a community benefit society) was established in 2019 as part of a strategy to acquire move on accommodation for former rough sleepers. This entity is currently dormant.

St Mungo's has a 33% share in Social Impact Bristol Limited (company limited by shares), a consortium of three charity partners set up to provide housing and support to people sleeping rough. This project has now ended.

These are the financial statements of the Group. Any activity relating to the Association will be specified. All references to comparable 2021 figures are to those of the Group, unless otherwise specified.

The Board of St Mungo's is responsible for ensuring that a sound system of governance exists across the Group and that it is financially viable and properly managed. The Board works alongside the Executive team, which is responsible for the day to day management of the Group.

The Board comprises twelve Trustees, who for purposes of company law are non-executive directors, who bring a broad range of skills, knowledge and experience to their roles from fields including finance, legal and government policy. During the year the Board met on six occasions including a Strategy Day.

The Board has a formal schedule of matters reserved for its decision, which includes overall strategy and future development, allocation of financial resources, acquisitions and disposals, annual budgets, annual results, senior executive appointments, treasury policy and risk management.

Board members are elected for a three year term at the Annual General Meeting. The Board reviews its effectiveness and appraises its members annually. It identifies the skills it requires in order to fulfil its function and recruits new members as required. Maximum tenure will normally be up to six consecutive years. Further terms may be agreed up to twelve consecutive years but only where the Board agrees that this is in the best interests of St Mungo's.

The Board is covered by Trustees' indemnity insurance policy. No claims have been made during the year.

During the year the Board has been supported by five committees:

- Assurance and Risk Committee reviews the integrity of financial reporting and provides the Board with assurance about the operation of internal control and risk management within St Mungo's. It also manages the relationship with the internal and external auditors.
- Finance and Development Committee supports the Board in its responsibilities in relation to financial planning, financial management and the scrutiny of financial performance. The Committee also reviews plans for the development of our housing stock.

- Client Services Committee has oversight of our care and support services including safeguarding. The Committee reviews policies and plans to ensure that our services are safe and responsive to clients' needs.
- Housing Services Committee has been established to oversee the management of St Mungo's leasehold, owned and managed property portfolio. The Committee scrutinises performance in key areas such as repairs, rent collection and landlord health and safety.
- People, Culture and Transformation Committee has oversight of the employment and remuneration of staff and succession planning for the Board. The Committee assists the Board with setting a positive culture and oversees significant change programmes.

St Mungo's is committed to involving clients in all aspects of our work, including in its decision-making structures. The Client Advisory Board, made up of ten current or former clients of St Mungo's, reviews Board papers and provides input for discussion at Board meetings.

Compliance with the Code of Governance

St Mungo's has adopted the National Housing Federation's 2020 Code of Governance which is designed to ensure that the Association operates to the highest possible standards. An underlying principle of this is that we will comply with the Code or explain any areas where we do not comply.

The Board has reviewed and confirmed compliance with all areas of the NHF Code with the following exception:

Section 3.7(3) states that maximum tenure will normally be up to six years which may be extended to nine years where the Board has agreed it is in the organisation's best interests. One Board member, who is also the Vice Chair, has served ten years and is due to retire during the coming year. This extended term has been agreed by the Board to ensure continuity following changes on the Board and the Executive team.

An assessment of compliance with the Charity Code of Governance has also been undertaken and compliance noted.

Compliance with RSH Governance and Financial Viability Standard

Registered providers are required by their regulator, the Regulator of Social Housing, to certify their compliance with the Governance and Financial Viability Standard. The Board has reviewed compliance with the standard and confirms that it complies in all material respects. Where further work is needed to ensure continued compliance then appropriate action plans are in place.

Compliance with Section 172 of the Companies Act 2006

Throughout the year the Board of Trustees has made due consideration during its discussions and decision-making of the matters set out in section 172 of the Companies Act 2006. Set out in the Chair's Statement, Strategic Report and Trustees' Report is a description of how the Trustees have had regards to the matters set out in section 172 (1) when performing their duties under section 172.

STAKEHOLDERS

The Board has overriding duty to promote the success of the charity to achieve its charitable purpose. In agreeing its strategic plans and in its decision making regard has been given to other factors and stakeholders. We recognise that our success in supporting the recovery of our clients against the backdrop of the challenges we face depends fundamentally on the skill, commitment and engagement of our supporters, staff and volunteers.

Fundraising report

St Mungo's is registered with the Fundraising Regulator and works in a way that is compliant with the Code of Fundraising Practice. Members of our Fundraising team are also members of the Institute of Fundraising. This report covers the requirements charities must follow as set out in the Charities Act 2016.

Fundraised income supports both new and existing projects to help people who are at risk of, or are

experiencing homelessness. Our fundraising efforts involve encouraging donations from corporate partners, community groups, and individuals. In addition, we also raise funds through legacy giving, special events, challenge events, and Face to Face fundraising.

Our donors and clients are at the heart of everything we do, and our practices aim to be more than just about compliance, we want to ensure that our supporters are treated with the care and attention they deserve.

As the regulatory environment has continued to change we have adapted and challenged the way we work to ensure we operate to a high standard. We have reviewed all fundraising materials, consent options, and updated our consent and privacy statements, in order to ensure compliance with the General Data Protection Regulation (GDPR). We have also updated our fundraising database to utilise the ability to record consent consistently and compliantly.

We continue to have four Professional Fundraising Organisations (PFOs) working on our behalf, which are:

- The Payroll Giving Team
- Payroll Giving in Action
- STC Payroll Giving
- Hands on Payroll Giving.

We have safeguards in place to ensure that organisations who fundraise on our behalf operate to the correct standard including requiring them to comply with the Code of Fundraising Practice.

We follow up on all feedback we receive from members of the public to ensure compliance with the Fundraising Regulations and ensure there is no unreasonable intrusion on a person's privacy.

In addition, we continue to run our own in-house street fundraising team. For this, we have a regular programme of training and refresher training covering all aspects of the regulations that apply to this form of fundraising as well as our own policies and procedures. Our training gives specific guidance on the protection of vulnerable people, based on the Institute of Fundraising's "Treating Donors Fairly Guidance". As such, we guide fundraisers to be upfront and tell the member of the public why we are communicating with them and check they are happy to continue; to ask if the person would prefer to be contacted in a different way (email, letter) or at a different time; and to check the person's understanding at relevant parts of the interaction and ask if there is anything that needs further explanation.

We monitor the quality and practices of our team through our programme of mystery shopping, conducted on our behalf by an independent organisation.

Across the year and across all our fundraising activity, which in total resulted in over 460,694 donations, we received 18 complaints about our fundraising. We regularly record, report and share positive unprompted feedback about our work and our fundraising from the public along with many messages of support we receive directly from our donors.

We have a formal process for resolving individual complaints. We report annually on complaints to our Assurance and Risk Committee, this, along with the training and mystery shopping enables us to monitor and review our fundraising practices relating to the protection of vulnerable people and ensure that there is no unreasonable intrusion on a person's privacy.

Every donation we receive is greatly appreciated and the support we have seen during this past year has been truly exceptional. Supporters old and new have continued to support our work following the pandemic.

We wish to say a thank you to all our supporters who made donations of their time and energy or gave financial support to St Mungo's during 2021-22, including those who left us a special gift in their Will.

Employee engagement

Our People Strategy 2021-26 sets out our commitment to recruiting the very best people from diverse backgrounds and investing in their learning, development and engagement. The success of our approach was recognised in our Investors in People assessment last year, in which we achieved 'Gold' status. This was further recognised in our staff survey in February 2021, in which we scored the same or higher in all areas compared to our 2017 staff survey. A key measure is staff engagement, which was very high at 86% and an increase on the 81% achieved in 2017.

We have a range of channels and opportunities for staff to input and feedback. Our Staff Advisory Group meets quarterly to obtain staff perspective on key strategic and planning issues. We have continued our practice of senior leaders regularly attending team meetings throughout the year. This has enabled us to dynamically assess what is 'on top' for staff and respond to ideas and concerns promptly. Our briefing and engagement meeting structure, 'The Loop', helps us to ensure that staff receive timely, reliable and consistent information, and have the opportunity to comment, make suggestions and have their voices heard.

360 feedback from colleagues, line reports, clients and other stakeholders is central to our performance management and development scheme. Our system of annual appraisals affords staff an opportunity to feedback on the management and support they have received during the year.

St Mungo's recognises two unions; Unite and Unison, and meets regularly with union representatives to discuss key issues affecting staff. Industrial action, which began in April 2021 and involved members of staff in our Property Services Department, ended in July 2021. In response to the allegations, we commissioned an independent review which found that our policies and procedures are fair and robust and that our formal processes are well managed. A leverage campaign by Unite ended in October 2021 and we have been working to develop a constructive working relationship and avoid disputes in the future.

Schemes set up to support staff during the pandemic came to an end during the year. Staff who were furloughed on the government's Coronavirus Job Retention Scheme (64 staff, about 4% of the workforce), had all returned to work by August 2021. Changes to our sickness policy and pay arrangements to support those who needed to self-isolate also came to an end in November 2021.

Supporting the wellbeing of staff has been a major area of focus. All of our manager and staff training modules include a wellbeing focus; we have stress risk assessment tools and Wellbeing Action Plans for staff; and toolkits for managers to support the mental health and for staff to understand and access the broad range of internal and external resources that we have put in place to support both mental and physical wellbeing.

Volunteers, apprentices and students

Volunteering at St Mungo's is an integral and valued part of our work. Volunteers play a vital role in supporting our clients and make a huge difference to the range of services we can offer homeless people.

As life slowly returned to some sense of normality following Covid, our services started to open up and we were able to reintroduce volunteers to engage our clients in meaningful activities. Support continued for those clients accommodated in hotels and for our outreach teams through the provision of Outreach volunteers and our First Response programme. Remotely volunteers continued to support our digital recovery college and our Lifeworks psychotherapy programme.

We have engaged our volunteers through online training, webinars and invited them to attend volunteer advisory groups to give feedback on our approach and policies and procedures. Our online volunteer awards event saw 30 volunteers recognised for their commitment and dedication during a difficult year. Partnering with the Marsh Trust allowed us to award £7,500 of prizes to our volunteers.

We are proud of our award winning apprenticeship scheme for people with lived experience of homelessness. Whilst the pandemic has impacted the overall number of apprenticeships we were able to offer this year we were able to continue with some placements where it was safe to do so. We have continued to provide practical and pastoral support, providing regular one to ones in addition to their management supervisions and two weekly peer support sessions. This year has seen new placements in Bath and Brighton take on Apprentices.

We also provide placements of Social Work, Nursing and Occupational Therapy students in order to influence

future professionals and help shape their practice. The team has continued to work with universities to deliver placements and assessments in different ways during the pandemic and as lock down eased. We have managed to increase social work placements compared to the same point the previous year. Student nurses decreased during COVID19 but are now returning to pre pandemic levels. The students receive a robust induction and monthly sessions to develop and enhance their learning.

Business relationships

We have robust policies and practices in place to ensure that our procurement decisions are transparent, fair and non-discriminatory. Compliance with procurement requirements and any decisions taken outside of our policies are reviewed regularly by our Audit and Risk Committee.

Performance with the prompt payment of suppliers is monitored by our Finance and Development Committee. During the year we have reported on our business payment practices in line with government requirements.

We recognise that the commissioning bodies for whom we deliver services are key stakeholders who enable us to achieve our strategic objectives. In 2021-22 we continued to run regular forums with approximately 20 commissioners across our areas of operation. During the year the focus of these meetings has included health and homelessness, supporting those with no recourse to public funds and interventions for vulnerable people who may have experienced multiple relationship breakdowns. Alongside this we launched our Commissioners' Hub where we share resources discussed at Commissioners' Forum.

Energy and carbon reporting

In line with the Greenhouse Gas Protocol (GHG) Corporate Accounting and Reporting Standard (Revised Edition), St Mungo Housing Association (St Mungo) continues to be engaged in a process aimed at reducing our greenhouse gas emissions.

St Mungo incurs scope 1 and 2 emissions (natural gas and electricity) at our offices, hostels, and domestic properties throughout the UK. Further, in line with government guidance, we have included grey fleet (cars owned by staff but used for business purposes) and vehicle hire car transport emissions as part of our overall reporting.

St Mungo has a longstanding commitment to tackling climate change and reducing carbon emissions. Our calculated carbon footprint for the current financial year is 4,568.38 tCO₂e, whilst energy consumption was 25,612,562.7 kWh (25,612.5 MWh).

Accordingly, St Mungo can report figures below based on the GHG Protocol Corporate Standard calculated using 2021 conversion factor guidance published by the UK government. Reporting corresponds with our financial year and reflects emissions from the leased and controlled assets for which St Mungo is responsible.

Emissions

<u>Scope 1 (natural gas)</u>	<u>Tonnes CO₂ equivalent</u>
	4,065.09

<u>Scope 2 (electricity)</u>	<u>Tonnes CO₂ equivalent</u>
	359.39

<u>Scope 3 (transport, electricity T&D)</u>	<u>Tonnes CO₂ equivalent</u>
	143.9

Total	4,568.38 tCO₂e
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Scope 1, 2 and 3 intensity metric	3.04 tCO ₂ e per person employed during the financial year (1,550)
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This represents a 6.55% reduction on our emissions from our previous financial year.

Efficiency Measures Taken 2021 / 2022

It is a requirement of the Streamlined Energy and Carbon Reporting legislation that we outline energy efficiency actions taken within the fiscal year. These are as follows:

- 1) Replaced aging office and lighting equipment with energy-efficient products,
- 2) Expanded video conferencing and online meetings (as opposed to “face to face” meetings).
- 3) Ongoing property maintenance activity to keep our buildings in good repair and improve efficiency.
- 4) Increased use of renewable energy sources.

Objectives for 2022-23

Our Sustainability Strategy sets out our approach and targets for environmental sustainability and specifically how we will contribute to achieving net zero carbon. The strategy was reviewed by the Board during the year and further work agreed.

Our approach includes our buildings, offices and supply chain as well as how we will engage and involve our staff and clients. A key area of focus in the coming year is delivery of our stock investment programme following our stock condition survey in 2020-21. In particular the replacement of single glazed windows.

DIVERSITY AND INCLUSION

Inclusion is one of our core values and valuing the backgrounds, experiences and strengths of our staff and clients is integral to our work. The Board has agreed an Equity, Diversity and Inclusion Strategy which sets out a vision where staff, clients and volunteers from all backgrounds can be their best selves, bringing together experiences, commitment and expertise to deliver a personalised recovery approach. We have also developed a specific Race Equality Action Plan to ensure that we are actively combatting the potential for racism to be experienced by our clients and staff.

Central to the delivery of our strategy, are seven Diversity Networks which meet regularly and work together to help shape the strategic direction of our inclusion practices. We also have 150 Allies across the organisation who champion diversity and inclusion within their teams, help to plan awareness raising events, challenge any non-inclusive practices and come together quarterly to network, share best practice and learn.

The Board is committed to increasing the diversity of its membership and has agreed an aspirational target of at least one in three appointments being from an under represented group with an anticipated representation of 33% by 2026. Our Board is currently 50% women and representation from people from ethnic minority backgrounds.

Our data on workforce demographics shows an under-representation of managers from ethnic minority backgrounds. This is a challenge that is not unique to St Mungo's but we are committed to taking action to understand and positively address the issue. Our positive action strategy working group brings together senior managers from across the organisation to focus on recruitment, progression, retention and communications.

Our People Strategy sets representation targets across all levels of management at St Mungo's by 2026. A key step to achieving this has been the introduction of a requirement for all recruitment panels to include at least one member from an ethnic minority background. Our Steps into Management programme will also help us to develop the leadership pipeline of junior and middle-managers from ethnic minority backgrounds.

We are registered with the Disability Confident scheme and are fully committed to supporting people with disabilities to work with us. This includes providing equal employment, training, and promotion of staff with disabilities. We have also signed the Mindful Employer charter to demonstrate that we are positive about mental health and are accredited under the Healthy Workplace Charter.

We again gained a place in the Stonewall Index of the Top 100 Lesbian, Gay, Bisexual and Trans-friendly employers.

MODERN SLAVERY ACT

Information about St Mungo's compliance with the Modern Slavery Act, which seeks to curb slavery and human trafficking, is available on our website www.mungos.org. This was last updated in September 2021 and is reviewed annually to ensure we continually improve our practice in this area.

REMUNERATION POLICY

The aim of our remuneration policy is to offer pay rates and a broader package of terms and conditions that will attract, retain and motivate high calibre staff. We aim to pay salary rates at all levels that effectively support recruitment and retention.

Most roles in St Mungo's are paid at salary grades linked to the NJC (National Joint Council for Local Government Services). The appropriate grade is determined by evaluation of the role within the terms of St Mungo's Job Evaluation scheme. The remuneration for certain posts is determined outside of NJC salary grades. In these cases, spot salary rates are determined by market testing and other factors. These posts include the Chief Executive, Executive Directors and Directors.

Market testing of Chief Executive, Executive Team and other relevant roles is carried out at least every three years by an external benchmarking company in order to keep salaries aligned with the comparator market. In the years which fall between market tests the Chief Executive and Executive Team members receive the same cost of living increase as all other members of staff, which is determined by reference to the NJC annual settlements.

All staff at St Mungo's including the Chief Executive and the Executive Team receive the same standard package of terms and conditions of employment. There are no enhancements to these, and no bonuses or discretionary additional awards in terms of salary to any individual.

As a responsible employer our aim is to secure the best benefits for St Mungo's employees past, present and future. Staff are auto-enrolled into our defined contribution pension scheme with Aviva. Our standalone defined benefit scheme with TPT Retirement Solutions is closed to new employees.

RESERVES POLICY

Reserves are that part of the Group's funds that are freely available to spend on any of the Group's purposes. This definition excludes restricted reserves which arise from specific restrictions being imposed on the reserves by the donor. As a Group which has no complex financial arrangements, the Group and Association's reserves are made up of the liquid working capital offset by provisions for long-term liabilities associated with property and pension commitments.

In May 2022 the Board approved the 2023-27 Five Year Plan. The Board considered the worst case impact of an economic recession leading to an adverse impact on our three income streams: fundraising, support contracts and rents, together with an increase in core costs. The Reserves and Liquidity policy has been updated to set thresholds to manage should these adverse risks materialise. St Mungo's will manage against minimum cash balances of £14 million - £18 million and minimum unrestricted reserves of £10 million - £13 million to ensure that St Mungo's is viable longer term.

Total reserves as at 31 March 2022 were £14.8 million (2021: £13.7 million). We held restricted reserves of £1.8 million (2021: £2.4 million) and unrestricted or free reserves of £13.0 million (2021: £11.3 million).

The year-end cash balance was £22.5 million (2021: £22.9 million).

The Trustees have reviewed the reserves of the Association and Group taking into consideration future activity, uncertainties and risks and have concluded the level of reserves shown at 31 March 2022 is appropriate to maintaining the continuation of the Association and Group as a going concern.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board acknowledges its ultimate responsibility for ensuring that St Mungo's has in place a system of internal control that is appropriate to the environment in which it operates and for the review of the effectiveness of that system during the year. These internal controls are designed to identify and manage rather than eliminate risk which may prevent St Mungo's from achieving its objectives.

The system of internal control is designed to give reasonable rather than absolute assurance that key objectives and expected outcomes will be achieved. It also exists to give reasonable assurance on the preparation and reliability of financial and operational information and the safeguarding of assets and interests.

Risk management approach

The Board has overall responsibility for the oversight of risk management at St Mungo's and has agreed an Organisational Risk Management Policy which sets out how risks are identified, assessed and managed across the organisation.

The strategic and key operational risks faced by St Mungo's and the mitigation plans in place to manage these risks are regularly reviewed by the Board.

During the year the Board has reviewed its risk appetite and agreed risk tolerance levels which are used to guide our day to day activities.

Risk Appetite Statement

As a homelessness charity, we choose to reach out to people who are often the most excluded by society and by other services because of their multiple and complex needs. We have a high risk appetite for who we provide our services for and for solutions that prevent and tackle rough sleeping.

Our clients have complex and changing needs and this brings inherent risk in relation to our reputation, we mitigate this by having a low risk appetite in terms of compliance with legal and regulatory requirements and our internal policies and processes.

We will seek opportunities to work in partnership with others for the benefit of our clients. Our work to increase public understanding and advocate for change for our clients involves an element of risk and we will balance this with the need to protect our reputation.

We work in a rapidly changing environment where funding streams can be uncertain and changes in policy and public opinion can have a profound impact on our work. We mitigate this by having a low risk appetite in terms of our financial sustainability.

We expect to take risks, within the context of our risk appetite and our financial sustainability, in order to grow our services and deliver our mission to reduce homelessness and rebuild lives.

Principal risks and uncertainties

During the year, the Board has focused on successfully transitioning out of pandemic restrictions and ensuring our clients in emergency accommodation have access to longer term housing. Whilst life has returned to normality for many in the UK population, we remain concerned about the social and economic impact of the pandemic on our client group, coupled with the rising cost of living. Given the pressure on local authority budgets, we face a hugely challenging environment of rising demand and fiscal entrenchment, and our work remains vital.

Financially, while the Regulator for Social Housing has acknowledged our business plan is fully funded and based on reasonable assumptions, they also noted that the nature of our work is low margin which reduces our ability to absorb adverse shocks. It is because of this that we maintain a robust focus on our reserves and liquidity, including a significant level of cash reserves. The Board has agreed a 5 year plan which aims to strengthen our financial resilience and this has been stress tested against a range of plausible scenarios.

We have robust policies and processes in place to manage the risks that arise from our day to day work. Health and safety is the top priority for the Board and through a culture of compliance and good performance, we mitigate the potential risk of issues emerging. We have systems in place to ensure that if issues do occur, these will be managed in a way that safeguards clients, staff and the wider organisation.

Our reputation is vital to our work. We have processes in place to ensure a co-ordinated response to incidents and to communicate organisational decisions. We proactively monitor complaints, comments on social media and press activity. During the year, a key focus for the Board has been on managing the risk arising from industrial action and moving to a more constructive relationship with Unite the Union.

In addition to our key operational risks outlined above, the Board has also focused on the following strategic risks during the year. The risk of staff vacancies impacting on essential service provision has been added as a new risk reflecting the challenging labour market. The risk around safely managing our services during the pandemic is no longer a principal risk for the organisation.

Risk	Mitigation measures
Providing good quality accommodation and meeting our obligations as a landlord. Risk rating: Amber	<ul style="list-style-type: none"> • The Board has agreed an Asset Management Strategy and a stock reinvestment plan is underway. • An action plan has been agreed to address the issues identified in the Regulator's In-Depth Assessment. • We continue to prepare for the forthcoming changes in building safety and consumer regulation.
Managing significant IT and change projects. Risk rating: Red	<ul style="list-style-type: none"> • The Board has agreed an IT Strategy and plans are in place to ensure delivery. • Phase one to deliver a new housing management system went live in November 2021. Post go live issues have been resolved. • Learning from phase one is being used to inform future ICT and transformation projects.
The impact of staff vacancies on essential service provision. Risk rating: Red	<ul style="list-style-type: none"> • We have responded to the challenging external market through proactive recruitment campaigns via a range of media, and offer competitive terms and conditions. • Our temporary resourcing arrangements, including via our locum bank, ensure that we are able to maintain essential service provision.
Securing a long term solution for our Real Lettings portfolio. Risk rating: Red	<ul style="list-style-type: none"> • St Mungo's has short term leasehold interests in a number of properties leased via three property funds. • The Board has agreed an exit strategy which minimises reputational impact and avoids evictions. • The first transfer of units in Bristol took place in December 2021. We are working through a plan to transfer further units before the first fund ends in 2023.

Internal assurance

We have internal assurance processes in place to ensure that internal controls are operating effectively. Our Quality Audit Programme for client facing services identifies areas of good practice and highlights any improvements that are needed. A regular programme of Health and Safety inspections across our projects provides further internal assurance on compliance with statutory and regulatory obligations. A framework of key performance indicators and regular reporting to Board exists to ensure that performance issues are identified and corrective action is taken.

Internal audit

St Mungo's internal audit function, delivered by Beever and Struthers, is used to provide objective assurance on our control framework and management of risks. A programme of internal audits has been overseen by the Assurance and Risk Committee. The audit reports demonstrate that the Board can take adequate assurance from the control framework in place across St Mungo's in 2021-22. Where weaknesses were identified during

the year, these have either been addressed or an action plan has been put in place to improve controls going forwards.

External audit

The work of our external auditors provides further independent assurance on the control environment. Any weaknesses in internal control identified by our external auditors are considered by the Assurance and Risk Committee and the Board along with an action plan to address any issues.

External Assurance

On 15 December 2021, following an in-depth assessment, the Regulator of Social Housing confirmed our rating as G2 / V2. This means that St Mungo's meets the Regulator's governance and viability requirements but needs to improve some aspects of its governance arrangements on landlord obligations to support continued compliance. An improvement plan has been agreed.

Our V2 grading means that we have the financial capacity to deal with a reasonable range of adverse scenarios but need to manage material risks to ensure continued compliance.

St Mungo's has two care homes, both of which have been inspected by the Care Quality Commission and achieved an overall grading of 'good'.

During the year the Board has received assurance from external independent reviews in relation to rent setting and service charges, also our property assets and liabilities records.

Fraud and Whistleblowing

A Fraud Register has been maintained during the year and reviewed by the Assurance and Risk Committee. During the period there have been some minor losses due to isolated fraud.

St Mungo's has a Whistleblowing Policy that encourages employees and others to express any serious concerns regarding suspected misconduct or malpractice within the organisation. Whistleblowing concerns raised during the year have been reported to the Assurance and Risk Committee and have not highlighted any systemic issues.

Conclusion

The Board has considered the effectiveness of the risk management and internal control system in place across the organisation for the year ended 31 March 2022 and has concluded that it has a reasonable level of assurance that there is an effective framework of governance, risk management and control at St Mungo's, noting that issues with rent control and compliance identified during the year have been addressed. No other weaknesses or relevant information have been identified which would result in material misstatement or loss and which require disclosure in the financial statements.'

Auditor

RSM UK Audit LLP will finish their term at the Annual General Meeting on 21 September 2022. Following a procurement exercise it has been agreed to recommend Crowe UK for appointment and a resolution to appoint them will be proposed by the Board.

Disclosure of Information to the Auditor

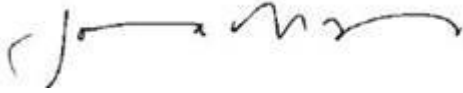
The Board who held office at the date of the approval of this Trustees' Report confirm that in so far as the Board is aware:

- there is no relevant audit information of which the Association's auditor is unaware
- the Board has taken all the steps it ought to have taken to make itself aware of any relevant audit information and to establish that the auditor is aware of that information.

Certain information as required by Schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) regulations has been included within the Strategic Report. As permitted by section

414C (11) details of future developments, analysis of the development and performance of the business, commentary of key performance indicators and financial review are included in the Strategic Report.

This report was approved by the Board in their capacity as company directors.



Joanna Killian
Chair
22 September 2022

STATEMENT OF TRUSTEES' RESPONSIBILITIES FOR THE ANNUAL REPORT AND FINANCIAL STATEMENTS

The Board is responsible for preparing the Strategic Report, the Trustees' Report and the financial statements, in accordance with applicable law and regulations.

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

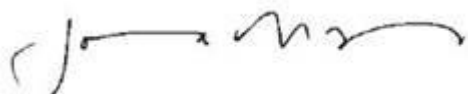
- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the Group and the Association will continue their activities.

The Board is responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Association's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Association and enable them to ensure that its financial statements comply with the Companies Act 2006, the Housing and Regeneration Act 2008 and the Accounting Direction of Private Registered Providers of Social Housing 2019. The Board has general responsibility for taking such steps as are reasonably open to safeguard the assets of the Group and the Association and to prevent and detect fraud and other irregularities.

The Board is responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

This report was approved by the Board of Trustees on the 20th July 2022 and signed on its behalf by:

By order of the Board



Joanna Killian
Chair
Date: 22 September 2022

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ST MUNGO'S COMMUNITY HOUSING ASSOCIATION

Opinion

We have audited the financial statements of St Mungo's Housing Association (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 March 2022 which comprise consolidated and association statement of comprehensive income, consolidated and association statement of financial position, consolidated and association statement of changes in reserves, consolidated statement of cash flows and notes to the financial statements, including 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 group's and the parent company's affairs as at 31 March 2022 and of the group's income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019.

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Board's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's or the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Board with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Board is responsible for the other information contained within the annual report. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic Report and the Board's report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Board's 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 group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Board's report.

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

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

Responsibilities of the Board

As explained more fully in the Board's responsibilities statement set out on page 34 the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board determines 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 Board is responsible for assessing the group's and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board either intends to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed

risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the group audit engagement team:

- obtained an understanding of the nature of the sector, including the legal and regulatory framework that the group and parent company operates in and how the group and parent company are complying with the legal and regulatory framework;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 102, the Companies Act 2006, the Housing and Regeneration Act 2008, the Accounting Direction for Private Registered Providers of Social Housing 2019 and tax compliance regulations. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures, inspecting correspondence with local tax authorities and evaluating advice received from internal/external tax advisors.

The most significant laws and regulations that have an indirect impact on the financial statements are Health and Safety at Work Act 1974 and Regulator of Social Housing Regulatory Standards (both Economic and Consumer standards). We performed audit procedures to inquire of management and those charged with governance whether the group is in compliance with these law and regulations and inspected correspondence with licensing or regulatory authorities.

The group audit engagement team identified the risk of management override of controls as the area where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments, evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business, challenging judgments and estimates.

A further description of our responsibilities for the audit of the financial statements is provided on the Financial Reporting Council's website at: <https://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 company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

ANDREW MONTEITH (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
Marlborough House
Victoria Road South
Chelmsford CM1 1LN
Date:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 March 2022

	Note	Unrestricted £million	Restricted £million	Total 2022 £million	Total 2021 £million
TURNOVER	3	116.0	2.7	118.7	122.0
Operating expenditure	3	(115.3)	(3.3)	(118.6)	(123.0)
OPERATING SURPLUS / (DEFICIT)	7	0.7	(0.6)	0.1	(1.0)
Interest payable and similar charges	6	(0.2)	-	(0.2)	(0.2)
(DEFICIT) / SURPLUS BEFORE TAX		0.5	(0.6)	(0.1)	(1.2)
Taxation	9	-	-	-	-
(DEFICIT) / SURPLUS FOR THE YEAR		0.5	(0.6)	(0.1)	(1.2)
Other comprehensive income:					
Actuarial gains / (losses) in respect of pension schemes	21	1.2	-	1.2	(1.6)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		1.7	(0.6)	1.1	(2.8)

The consolidated results relate wholly to continuing activities.

The accompanying notes on pages 27 - 49 form part of these financial statements.

ASSOCIATION STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 March 2022

	Note	Unrestricted £million	Restricted £million	Total 2022 £million	Total 2021 £million
TURNOVER	3	116.1	2.7	118.8	121.6
Operating expenditure	3	(115.3)	(3.3)	(118.6)	(123.0)
OPERATING SURPLUS / (DEFICIT)	7	0.8	(0.6)	0.2	(1.4)
Interest payable and similar charges	6	(0.2)	-	(0.2)	(0.2)
SURPLUS / (DEFICIT) BEFORE TAX		0.6	(0.6)	-	(1.6)
Taxation	9	-	-	-	-
SURPLUS / (DEFICIT) FOR THE YEAR		0.6	(0.6)	-	(1.6)
Other comprehensive income:					
Actuarial gains / (losses) in respect of pension schemes	21	1.2	-	1.2	(1.6)
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR		1.8	(0.6)	1.2	(3.2)

The Association's results relate wholly to continuing activities.

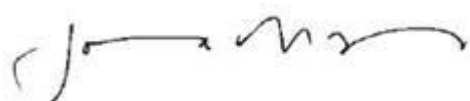
The accompanying notes on pages 27 - 49 form part of these financial statements.

CONSOLIDATED AND ASSOCIATION STATEMENT OF FINANCIAL POSITION
For the year ended 31 March 2022

		Group		Association	
	Note	2022 £million	2021 £million	2022 £million	2021 £million
FIXED ASSETS					
Intangible assets	10a	1.4	1.0	1.4	1.0
Housing properties	10b	81.8	82.7	81.8	82.7
Other fixed assets	10c	0.5	0.6	0.5	0.6
Investment in subsidiaries	11	-	-	0.1	0.1
		<u>83.7</u>	<u>84.3</u>	<u>83.8</u>	<u>84.4</u>
CURRENT ASSETS					
Trade and other debtors	12	19.6	18.9	19.6	18.6
Cash and cash equivalents	18	22.5	22.9	22.3	22.8
		<u>42.1</u>	<u>41.8</u>	<u>41.9</u>	<u>41.4</u>
CURRENT LIABILITIES					
Creditors: amounts falling due within one year	13	(26.9)	(25.0)	(27.0)	(25.0)
NET CURRENT ASSETS		<u>15.2</u>	<u>16.8</u>	<u>14.9</u>	<u>16.4</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>98.9</u>	<u>101.1</u>	<u>98.7</u>	<u>100.8</u>
NON-CURRENT LIABILITIES					
Creditors: Amounts falling due after more than one year	14	(72.0)	(73.3)	(72.0)	(73.3)
Retirement benefit obligations	21	(8.1)	(10.6)	(8.1)	(10.6)
Provisions for liabilities	16	(4.0)	(3.5)	(4.0)	(3.5)
		<u>(84.1)</u>	<u>(87.4)</u>	<u>(84.1)</u>	<u>(87.4)</u>
TOTAL NET ASSETS		<u>14.8</u>	<u>13.7</u>	<u>14.6</u>	<u>13.4</u>
RESERVES					
Restricted reserve	17	1.8	2.4	1.8	2.4
Income and expenditure reserve		13.0	11.3	12.8	11.0
TOTAL RESERVES		<u>14.8</u>	<u>13.7</u>	<u>14.6</u>	<u>13.4</u>

The accompanying notes on pages 27 - 49 form part of these financial statements.

The financial statements were approved by the Board and authorised for issue 20th July 2022 and are signed on its behalf by:



Joanna Killian
Chair



Tim Gadd
Trustee

CONSOLIDATED STATEMENT OF CHANGES IN RESERVES
For the year ended 31 March 2022

	Unrestricted reserve £million	Designated reserves £million	Restricted reserve £million	Total reserves £million
Balance at 31 March 2020	10.8	3.1	2.6	16.5
Transferred to Unrestricted Reserve	3.1	(3.1)	-	-
(Deficit) for the year	(2.6)	-	(0.2)	(2.8)
Balance at 31 March 2021	11.3	-	2.4	13.7
Surplus / (Deficit) for the year	1.7	-	(0.6)	1.1
Balance at 31 March 2022	13.0	-	1.8	14.8

Designated reserves formed part of the unrestricted and free reserves.

ASSOCIATION STATEMENT OF CHANGES IN RESERVES
For the year ended 31 March 2022

	Unrestricted reserve £million	Designated reserves £million	Restricted reserve £million	Total reserves £million
Balance at 31 March 2020	10.9	3.1	2.6	16.6
Transferred to Unrestricted Reserve	3.1	(3.1)	-	-
(Deficit) for the year	(3.0)	-	(0.2)	(3.2)
Balance at 31 March 2021	11.0	-	2.4	13.4
Surplus / (Deficit) for the year	1.8	-	(0.6)	1.2
Balance at 31 March 2022	12.8	-	1.8	14.6

Designated reserves formed part of the unrestricted and free reserves.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 March 2022

	Note	2022 £million	2021 £million
NET CASH GENERATED FROM OPERATING ACTIVITIES	18	2.1	4.5
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of fixed and intangible assets		(3.1)	(3.8)
Grants received		0.6	1.6
NET CASH (USED IN) INVESTING ACTIVITIES		(2.5)	(2.2)
CASH FLOW FROM FINANCING ACTIVITIES			
Loan finance		-	(0.3)
NET CASH (USED IN) FINANCING ACTIVITIES		-	(0.3)
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		(0.4)	2.0
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		22.9	20.9
CASH AND CASH EQUIVALENTS AT END OF YEAR	18	22.5	22.9

(I) ANALYSIS OF CHANGES IN NET DEBT

	At 1 April 2021 £million	Cash Flow: £million	At 31 March 2022 £million
CASH AND CASH EQUIVALENTS			
Cash	22.9	(0.4)	22.5

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2022

1. LEGAL STATUS

St Mungo Community Housing Association (“the Association”) is a company limited by guarantee and registered charity, a public benefit entity and is an English registered social housing provider.

The address of the Association’s registered office and principal place of business is St Mungo’s, 5th Floor, 3 Thomas More Square, London E1W 1YW.

2. ACCOUNTING POLICIES

BASIS OF ACCOUNTING

These financial statements have been prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including FRS 102 “The Financial Reporting Standard applicable in the UK and Republic of Ireland” (“FRS 102”), the Housing SORP 2018 “Statement of Recommended Practice for Registered Housing Providers” and the Accounting Direction for Private Registered Providers of Social Housing 2019. The financial statements have been prepared under the historical cost convention and on a going concern basis.

The Association is both a registered charity and a registered provider of social housing, and sees both of these areas represented significantly in its activities. In particular, it receives a large amount of charitable income and incurs related expenditure to do this. The Board considers that the financial statements should be prepared to reflect the Association’s aims and to satisfy the different needs of users. Therefore the Statement of Comprehensive Income differentiates between restricted and unrestricted funds.

Monetary amounts in these financial statements are rounded to the nearest £100,000, except where otherwise indicated.

GOING CONCERN

After making enquiries the Trustees believe that the Group has adequate resources to continue in operational existence for at least 12 months from the approval date of these financial statements.

During the year, the Board considers the worst case impact of different business scenarios (stress testing) on the financial plan. During the year, the Board considered the worst case impact of an economic recession leading to a reduction in fundraising receipts, increase in pension actuarial loss, loss of contracts and rent service charge income, cost and wage inflation and an exit from our non social housing portfolio. The Board also considered the impact of a “perfect storm” which included a number of scenarios occurring at the same time taking into account mitigating actions including cost cutting measures and supporting the conclusions that sufficient cash reserves remains available for at least the next 12 months.

Based on the review of these forecasts and the available free cash reserves the Trustees have concluded the Group is a going concern and accordingly have prepared the financial statements on this basis.

BASIS OF CONSOLIDATION

Under the Companies Act 2006 the Group has prepared consolidated financial statements. The consolidated financial statements incorporate those of the Association and all of its subsidiaries (i.e. entities that the Group controls through its power to govern the financial and operating policies so as to obtain economic benefits). All financial statements are made up to 31 March 2022.

All intra-group transactions, balances and unrealised gains on transactions between Group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

Where the Group does not control the financial and operating policies of an entity but is able to exert significant influence over them then that entity is accounted for as an Associate. The Group includes its share of the entities result and financial position in its consolidated financial statements.

REDUCED DISCLOSURES

In accordance with FRS 102, the Association has taken advantage of the exemption from the following disclosure requirement in the individual financial statements of the Association under Section 7 'Statement of Cash Flows' – Presentation of a Statement of Cash Flows and related notes and disclosures.

TURNOVER AND REVENUE RECOGNITION

Turnover comprises rental and service charge income receivable in the period net of rent and service charge loss from voids. Turnover also includes fees and revenue grants receivable from Local Authorities, Government departments and charitable bodies, amortisation of deferred capital grants, donations and income from fundraising activities and other services provided in the year (excluding VAT).

Rental income is recognised from the point when properties under development reach practical completion or otherwise become available for letting, net of any voids.

Revenue grants are receivable when the conditions for receipt of agreed grant funding have been met.

Donations and income from fundraising activities are recognised when the Group has entitlement to these and receipt is probable.

Charges for support services funded under Supporting People are recognised as they fall due under the contractual arrangements with Administering Authorities.

OTHER INCOME

Interest income

Interest income is accrued on a time-apportioned basis, by reference to the principal outstanding at the effective interest rate.

INTANGIBLE ASSETS

Software – Internal and external costs incurred during the preliminary stage of developing computer software for internal use are expensed as incurred. Internal and external costs incurred to develop computer software for internal use during the application development stage are capitalised if the company expects economic benefits from the development. Capitalisation in the application development stage begins once the company can reliably measure the expenditure attributable to the software development and has demonstrated its intention to complete and use the software. Software is amortised on a straight-line basis over its estimated useful life of 4 years.

Customer contracts- the cost of business combination is the fair value of the consideration given, liabilities incurred and the costs directly attributable to the business combination. The fair value of the separable identifiable customer contracts on acquisitions of subsidiaries is included in intangible assets. Gains and losses on the disposal of an entity include the carrying amount of the contract relating to the entity sold. Customer contracts are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated by applying the straight- line method to its estimated useful life of 2.5 years. This estimate is based on a variety of factors such as the expected use of the acquired business, the expected use of the cash generating units to which the contracts are attributed, any legal, regulatory or contractual provisions that can limit useful life and assumptions that market participants would consider in respect of similar businesses. Customer contracts are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2022

TANGIBLE FIXED ASSETS – HOUSING PROPERTIES

Housing properties are properties for the provision of social housing and are principally properties available for rent.

Completed housing properties are stated at cost less accumulated depreciation and impairment losses. Cost includes the cost of acquiring land and buildings, and expenditure incurred during the development period.

Works to existing properties which replace a component that has been treated separately for depreciation purposes, along with those works that enhance the economic benefits of the assets, are capitalised as improvements. Such enhancements can occur if improvements result in:

- An increase in rental income;
- A material reduction in future maintenance costs;
- A significant extension to the life of the property;

DONATED LAND AND OTHER ASSETS

Land or other assets which have been donated by a government source is added to the cost of assets at the fair value of the land at the time of the donation. The difference between the fair value of the asset donated and the consideration paid is treated as a non-monetary government grant and included within the Statement of Financial Position as a liability. The terms of the donation are considered to be performance related conditions. Where the donation is not from a public source, the value of the donations less the consideration is included in income.

GOVERNMENT GRANTS

Government grants include grants receivable from Homes England, local authorities and other government bodies.

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

Government grants received for housing properties are recognised as income over the useful economic life of the structure of the asset and, where applicable, the individual components of the structure (excluding land) under the accruals model.

Government grants relating to revenue are recognised as income over the periods when the related costs are incurred once reasonable assurance has been gained that the Association will comply with the conditions and the funds will be received.

OTHER GRANTS

Grants received from non-government sources are recognised using the performance model. Grants are recognised as income when the associated performance conditions are met.

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 March 2022

DEPRECIATION OF HOUSING PROPERTIES

Freehold land or assets under construction are not depreciated.

The Group separately identifies the major components of its housing properties and charges depreciation so as to write-down the cost of each component to its estimated residual value, on a straight line basis over the shorter of the length of the lease or the following years:

Structure	60 years
Land	Nil
Kitchens	10 years
Bathrooms	15 years
Pitch roof	60 years
Flat roof	20 years
Windows	25 years
Electrical works	15 years
Boilers	10 years

LAND AND PROPERTIES HELD FOR SALE

Land and properties surplus to requirements are classified as held for sale and stated at the lower of carrying amount and net realisable value.

IMPAIRMENTS OF FIXED ASSETS

An assessment is made at each reporting date of whether indications exist that an Asset or Cash Generating Unit (CGU) may be impaired, or that an impairment loss previously recognised has fully or partially reversed. If such indications exist, the Group estimates the recoverable amount of the asset.

Service potential of an asset and cash flow generation are considered in our assessment. Where there is an indication that an asset or CGU may be impaired, the recoverable amount of any affected asset or CGU is estimated and compared with its carrying amount. The recoverable amount is the higher of fair value less costs to sell and value in use. The fair value less cost to sell is estimated using the market value of the property less cost to sell where a market exists, or the existing use value calculation.

Recognising that the asset may not be held primarily to generate cash but is also to provide a social benefit If the recoverable amount is less than the carrying amount then the carrying amount is compared to the Replacement Cost and if the Replacement Cost is higher no impairment is recognised.

Impairment losses are recognised through expenditure.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Reversals of impairment losses are recognised through expenditure. On reversal of an impairment loss, the depreciation or amortisation is adjusted to allocate the asset's revised carrying amount (less any residual value) over its remaining useful life.

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 March 2022

OTHER TANGIBLE FIXED ASSETS

Tangible fixed assets are initially measured at cost, net of depreciation and any impairment losses. Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost of each asset to its estimated residual value on a straight line basis over its expected useful life, as follows:-

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

Residual value is calculated on prices prevailing at the reporting date, after estimated costs of disposal, for the asset as if it were at the age and in the condition expected at the end of its useful life.

TAXATION

St Mungo Community Housing Association has charitable status and is registered with the Charity Commission and is therefore exempt from paying Corporation Tax on charitable activities.

Irrecoverable VAT is not separately analysed and is charged to expenditure when incurred. It is allocated as part of the expenditure to which it relates.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is not discounted.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable surpluses.

Deferred tax is recognised on income or expenses from subsidiaries that will be assessed to or allow for tax in a future period except where the Group is able to control the reversal of the timing difference and it is probable that the timing difference will not reverse in the foreseeable future.

Current and deferred tax is charged or credited as income or expenditure, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

LEASES

Operating Leases

The Group enters into operating leases, the annual rentals are charged to expenditure on a straight line basis over the lease term. Rent free periods or other incentives received for entering into an operating lease are accounted for as a reduction to the expense and are recognised, on a straight-line basis over the lease term.

EMPLOYEE BENEFITS

The costs of short-term employee benefits are recognised as a liability and an expense. Employees are entitled to carry forward up to five to ten days of any unused holiday entitlement at the reporting date. The cost of any unused entitlement is recognised in the period in which the employee's services are received.

The best estimate of the expenditure required to settle an obligation for termination benefits is recognised immediately as an expense when the Group is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 March 2022

RETIREMENT BENEFITS

Defined contribution plans

For defined contribution schemes the amount charged is the contributions payable in the year. Differences between contributions payable in the year and contributions paid are shown as either accruals or prepayments.

Defined benefit plans

The group participated in one (2021: two) funded multi-employer defined benefit schemes, the Social Housing Pension Scheme (SHPS) and Pension Trust's Growth Plan (GP). Both schemes are closed to new joiners.

For the GP, contributions were recognised in the period to which they relate as there is insufficient information available to use defined benefit accounting. A liability is recognised for contributions arising from an agreement with the multi-employer plan that determines how the Group will fund a deficit. Contributions are discounted when they are not expected to be settled wholly within 12 months of the period end. In the year ended 31 March 2021 the Group settled this liability for £64,000.

The Association participated in the Social Housing Pension Scheme, a multi-employer scheme which provides benefits to some 500 non-associated employers. The scheme is a defined benefit scheme in the UK.

On 9 November 2020 the Association exited from this scheme and transferred the scheme assets to a new scheme – the St Mungo's Defined Benefit Pension Scheme.

This is a separate trustee administered fund set up on 2 November 2020. The scheme holds the pension scheme assets to meet long term pension liabilities.

Scheme liabilities have been based on data provided for the SHPS actuarial valuation as at 30 September 2019 updated to 31 March 2022 by a qualified actuary, independent of the scheme's sponsoring employer. Changes to the position go through the Other Comprehensive Income statement and not through the normal income and expenditure account, as there is not sufficient information to restate the comparative. The rate used to discount the benefit obligations to their present value is based on market yields for high quality corporate bonds with terms and currencies consistent with those of the benefit obligations.

The scheme is administered by trustees and is independent of the Group finances. Contributions are paid to the scheme in accordance with the recommendations of an independent actuary to enable the trustees to meet from the scheme the benefits accruing in respect of current and future service. The cost of providing benefits is determined using the projected unit credit method.

The net defined benefit asset/liability represents the present value of the defined benefit obligation minus the fair value of plan assets out of which obligations are to be settled. Any asset resulting from this calculation is limited to the present value of available refunds or reductions in future contributions to the plan.

Surpluses or deficits recognised in the Statement of Comprehensive Income:

- The change in the net defined benefit liability arising from employee service during the year is recognised as an employee cost
- The cost of plan introductions, benefit changes, settlements and curtailments are recognised as incurred.
- Net interest on the defined benefit asset/liability comprises the interest cost on the defined benefit obligation and interest income on plan assets, calculated by multiplying the fair value of the plan assets at the beginning of the period by the rate to discount the benefit obligations.

Surpluses or deficits recognised in other comprehensive income

- Actuarial surpluses and deficits
- The difference between the interest income on the plan assets and the actual return on the plan assets.

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 March 2022

FINANCIAL INSTRUMENTS

The Group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102, in full, to all of its financial instruments. Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument, and are offset only when the Group currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets

Debtors

Debtors which are receivable within one year and which do not constitute a financing transaction are initially measured at the transaction price. Debtors are subsequently measured at amortised cost, being the transaction price less any amounts settled and any impairment losses.

A provision for impairment of debtors is established when there is objective evidence that the amounts due will not be collected according to the original terms of the contract. Impairment losses are recognised in income for the excess of the carrying value of the debtor over the present value of the future cash flows discounted using the original effective interest rate. Subsequent reversals of an impairment loss that objectively relate to an event occurring after the impairment loss was recognised, are recognised immediately in income.

Financial liabilities

Creditors

Creditors payable within one year that do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled.

Borrowings

Borrowings are initially recognised at the transaction price, including transaction costs, and subsequently measured at amortised cost using the effective interest method. Interest expense is recognised on the basis of the effective interest method and is included in interest payable and other similar charges.

De-recognition of financial assets and liabilities

A financial asset is de-recognised only when the contractual rights to cash flows expire or are settled, or substantially all the risks and rewards of ownership are transferred to another party, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party. A financial liability (or part thereof) is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

PROVISIONS

Provisions are recognised when the Group has an obligation at the reporting date as a result of a past event which it is probable will result in the transfer of economic benefits and that obligation can be estimated reliably. Provisions are measured at the best estimate of the amounts required to settle the obligation. Where the effect of the time value of money is material, the provision is based on the present value of those amounts, discounted at the pre-tax discount rate that reflects the risks specific to the liability. The unwinding of the discount is recognised within interest payable and similar charges.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2022

RESERVES

The Group establishes restricted funds for specific purposes where their use is subject to restrictions imposed by third parties. Designated reserves are established as appropriate and are part of unrestricted free reserves.

CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 2, the Trustees are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions of estimates are recognised in the accounting period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical accounting policies where judgements or estimation are necessarily applied are summarised below.

Impairment

The Group determines whether non-current assets are impaired on annual basis. Any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

Defined benefit pension plan

The cost of defined benefit pension plans and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2022

3. TURNOVER, COST OF SALES, OPERATING COSTS AND OPERATING SURPLUS

2022: GROUP

	Turnover £million	Operating expenditure £million	Operating surplus/(deficit) £million
SOCIAL HOUSING ACTIVITIES			
Income and expenditure from social housing lettings (note 4)	38.8	38.8	-
OTHER SOCIAL HOUSING ACTIVITIES			
Supporting people contract income	20.4	22.3	(1.9)
NON SOCIAL HOUSING ACTIVITIES			
Support Services	27.2	34.0	(6.8)
Fundraising	12.9	3.9	9.0
Pandemic response	8.7	7.4	1.3
Real Lettings	10.7	12.2	(1.5)
	118.7	118.6	0.1

2021: GROUP

	Turnover £million	Operating expenditure £million	Operating surplus/(deficit) £million
SOCIAL HOUSING ACTIVITIES			
Income and expenditure from social housing lettings (note 4)	38.4	37.7	0.7
OTHER SOCIAL HOUSING ACTIVITIES			
Supporting people contract income	20.9	21.3	(0.4)
NON SOCIAL HOUSING ACTIVITIES			
Support Services	25.5	35.1	(9.6)
Fundraising	16.1	3.7	12.4
Pandemic	11.3	12.9	(1.6)
Real Lettings	9.8	12.3	(2.5)
	122.0	123.0	(1.0)

2022: Association

	Turnover £million	Operating expenditure £million	Operating surplus/(deficit) £million
SOCIAL HOUSING ACTIVITIES			
Income and expenditure from social housing lettings (note 4)	38.8	38.8	-
OTHER SOCIAL HOUSING ACTIVITIES			
Supporting people contract income	20.4	22.3	(1.9)
NON SOCIAL HOUSING ACTIVITIES			
Support Services	27.3	34.0	(6.7)
Fundraising	12.9	3.9	9.0
Pandemic response	8.7	7.4	1.3
Real Lettings	10.7	12.2	(1.5)
	118.8	118.6	0.2

2021: Association

	Turnover £million	Operating expenditure £million	Operating surplus/(deficit) £million
SOCIAL HOUSING ACTIVITIES			
Income and expenditure from social housing lettings (note 4)	38.4	37.7	0.7
OTHER SOCIAL HOUSING ACTIVITIES			
Supporting people contract income	20.9	21.3	(0.4)
NON SOCIAL HOUSING ACTIVITIES			
Support Services	25.1	35.1	(10.0)
Fundraising	16.1	3.7	12.4
Pandemic Response	11.3	12.9	(1.6)
Real Lettings	9.8	12.3	(2.5)
	121.6	123.0	(1.4)

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2022

4. PARTICULARS OF INCOME AND EXPENDITURE FROM SOCIAL HOUSING LETTINGS

Group and Association

	2022				2021			
	Supported Housing	Care homes	Short stay housing	Total	Supported Housing	Care homes	Short stay housing	Total
	£million	£million	£million	£million	£million	£million	£million	£million
TURNOVER FROM SOCIAL HOUSING LETTINGS								
Rent receivable net of voids	10.0	2.1	0.3	12.4	10.6	1.5	0.7	12.8
Service charges net of voids	20.9	-	0.2	21.1	18.9	-	0.4	19.3
NET RENTAL INCOME	30.9	2.1	0.5	33.5	29.5	1.5	1.1	32.1
Other revenue grants	3.3	-	0.4	3.7	4.2	0.5	-	4.7
Amortisation of deferred capital grants	1.4	0.1	0.1	1.6	1.4	0.1	0.1	1.7
TURNOVER FROM SOCIAL HOUSING LETTINGS	35.6	2.2	1.0	38.8	35.1	2.1	1.2	38.4
EXPENDITURE ON SOCIAL HOUSING LETTINGS								
Management	8.8	1.5	0.3	10.6	9.8	1.7	0.2	11.7
Service charge costs	12.6	0.5	0.7	13.8	10.6	0.4	0.6	11.6
Routine maintenance	2.4	0.1	0.1	2.6	2.2	0.1	0.1	2.4
Planned maintenance	0.3	-	-	0.3	0.4	-	-	0.4
Bad debts	1.0	0.2	-	1.2	1.3	-	-	1.3
Depreciation charged	3.2	0.1	0.2	3.5	3.2	0.1	0.2	3.5
Landlord charges	6.5	-	-	6.5	6.2	-	-	6.2
Pandemic response	-	-	-	-	0.3	-	-	0.3
Other costs	0.3	-	-	0.3	0.3	-	-	0.3
OPERATING COSTS ON SOCIAL HOUSING LETTINGS	35.1	2.4	1.3	38.8	34.3	2.3	1.1	37.7
OPERATING SURPLUS/(DEFICIT) ON SOCIAL HOUSING LETTINGS	0.5	(0.2)	(0.3)	-	0.8	(0.2)	0.1	0.7
<i>Rent losses due to voids</i>	<i>3.8</i>	<i>0.1</i>	<i>-</i>	<i>3.9</i>	<i>2.1</i>	<i>0.1</i>	<i>0.2</i>	<i>2.4</i>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2022

5. ACCOMMODATION IN MANAGEMENT AND DEVELOPMENT

Group and Association	2022 Units	2021 Units
Supported Housing		
- Supported housing	2,327	2,345
- Care homes	55	55
- Short stay housing	37	69
Total number of Supported Housing managed units	2,419	2,469
Other Units		
- Real Lettings	748	828
- Owned but managed by another organisation	147	147
	3,314	3,444

6. INTEREST PAYABLE AND SIMILAR CHARGES

	Group 2022 £million	2021 £million	Association 2022 £million	2021 £million
Interest arising on;				
Unwinding of discount factor on pension deficit provision	0.2	0.2	0.2	0.2

7. OPERATING SURPLUS

	Note	Group 2022 £million	2021 £million	Association 2022 £million	2021 £million
Operating surplus is stated after charging/(crediting):					
Amortisation of intangible fixed assets	10a	0.1	-	0.1	0.1
Depreciation of housing properties	10b	3.5	3.5	3.5	3.5
Depreciation of other tangible fixed assets	10c	0.1	0.1	0.1	0.1
Operating lease rentals	20	12.4	11.9	12.4	11.9

Fees payable to RSM UK Audit LLP and its associates in respect of both audit and non- audit services are as follows;

	Group 2022 £'000	2021 £'000	Association 2022 £'000	2021 £'000
Audit services - statutory audit of the group (includes any irrecoverable VAT)	68	67	68	62
Other Services	-	6	-	6

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2022

8. EMPLOYEES

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

	Group and Association 2022 No.	Group and Association 2021 No.
Full time	1,321	1,345
Part time (full time equivalent 124) (2021:131)	163	178
Locums (full time equivalent 105) (2021:119)	176	197
	<u>1,660</u>	<u>1,720</u>

Staff costs:

	Group and Association 2022 £million	Group and Association 2021 £million
Wages and salaries	61.3	65.4
Social security costs	5.1	5.2
Other pension costs and current service cost (note 21)	2.2	2.2
	<u>68.6</u>	<u>72.8</u>

Included in Wages and salaries is £7.6m paid to agencies for temporary staff (2021: £9.9m).

The full time equivalent number of staff who received remuneration (excluding trustees, including executive directors):

	2022	2021
£60,001 - £70,000	9	9
£70,001 – £80,000	11	9
£80,001 – £90,000	6	6
£90,001 – £100,000	2	3
£110,001 – £120,000	1	2
£130,001 – £140,000	1	3
£150,001 - £160,000	1	-
£180,000 - £190,000	1	1

EXECUTIVE DIRECTORS

The key management of the charity, as at 31 March 2022, comprised the Chief Executive and the five directors of the organisation (Director of People, Culture and Transformation, Finance Director, Client Services Director, Director of Housing Services and Director of Strategy and Development). The total remuneration and benefits, including salary and employer's pension contributions, of the key management personnel of the charity are outlined below:

	2022 £	2021 £
Remuneration and fees	735,612	777,765
Association contributions to money purchase pension schemes	28,154	45,123
Compensation for loss of office	155,497	80,000
	<u>919,263</u>	<u>902,888</u>

Pension contributions were paid on behalf of key management personnel. The amount paid to the highest paid director (the Chief Executive), including pension contributions, was £189,418 (2021: £180,373). He was an ordinary member of the Association's Aviva defined contribution pension scheme and no enhancement or special terms applied. The Association does not make any further contributions to an individual pension arrangement for the Chief Executive. None of the Trustees received any emoluments in the year. Trustees claimed £290 in expenses during the year (2021: £120). Remuneration paid to key management personnel includes amounts paid to Executive Directors (inclusive of National Insurance) and Trustees, during the period this amounted to £1,027,244 (2021: £1,002,507).

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2022

9. TAXATION

Factors affecting the tax charge for the year.

The tax assessed for the year is lower than the standard rate of corporation tax in the UK (19%). The differences are explained below:

	Group		Association	
	2022	2021	2022	2021
	£million	£million	£million	£million
(Deficit) on ordinary activities before tax	-	(1.2)	0.1	(1.6)
(Deficit) on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2020: 19%)	-	(0.2)	-	(0.3)
Effects of:				
Exempt charitable activities	-	0.2	-	0.3
Tax expense	-	-	-	-

Any profits are donated by gift aid by the subsidiaries. No UK corporation tax has arisen in the period to 31 March 2022 (31 March 2021: £nil). As any profits are donated by gift aid no deferred tax asset is recognised in respect of any tax losses carried forward.

10A. INTANGIBLE FIXED ASSETS

Group

£'000

Cost

At 1 April 2020	0.6
Additions	0.4
At 31 March 2021	1.0
Additions	0.5
At 31 March 2022	1.5

Depreciation and impairment

At 1 April 2020	-
Depreciation charged in year	-
At 31 March 2021	-
Depreciation charged in year	0.1
At 31 March 2022	0.1

Carrying amount

31 March 2022	1.4
31 March 2021	1.0

Internal and external costs associated with developing computer software for own use.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2022

10A. INTANGIBLE FIXED ASSETS (continued)

Association	IT software £million	Customer Contracts £million	Total £million
Cost			
At 1 April 2020	0.6	0.1	0.7
Additions	0.4	-	0.4
At 31 March 2021	1.0	0.1	1.1
Additions	0.5	-	0.5
At 31 March 2022	1.5	0.1	1.6
Depreciation and impairments			
At 1 April 2020	-	-	-
Depreciation charged in year	-	0.1	0.1
At 31 March 2021	-	0.1	0.1
Depreciation charged in year	0.1	-	0.1
At 31 March 2022	0.1	0.1	0.2
Net Book Value			
At 31 March 2022	1.4	-	1.4
At 31 March 2021	1.0	-	1.0

10B. TANGIBLE FIXED ASSETS – HOUSING PROPERTIES

Group and Association

Social housing properties held for letting

	Completed properties £million	Properties under construction £million	Total £million
Cost			
At 1 April 2020	116.1	0.2	116.3
Properties acquired	2.3	-	2.3
Works to existing properties	0.8	0.2	1.0
Schemes completed	0.1	(0.1)	-
Disposals	(0.2)	-	(0.2)
At 31 March 2021	119.1	0.3	119.4
Properties acquired	1.0	-	1.0
Works to existing properties	1.0	0.6	1.6
Schemes completed	0.3	(0.3)	-
Disposals	(0.1)	-	(0.1)
At 31 March 2022	121.3	0.6	121.9
Depreciation and impairments			
At 1 April 2020	33.4	-	33.4
Depreciation charged in year	3.5	-	3.5
Released on disposal	(0.2)	-	(0.2)
At 31 March 2021	36.7	-	36.7
Depreciation charged in year	3.5	-	3.5
Released on disposal	(0.1)	-	(0.1)
At 31 March 2022	40.1	-	40.1
Net Book Value			
At 31 March 2022	81.2	0.6	81.8
At 31 March 2021	82.4	0.3	82.7

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2022

10B. TANGIBLE FIXED ASSETS – HOUSING PROPERTIES (continued)

At each reporting date an assessment must be made of whether any indicators of impairment exist. A review has been undertaken and no impairment indicators have been identified as a result of the assessment. Cumulative impairments on housing properties amounted to £nil at 31 March 2022 (2021: £nil). Development and works to existing properties include capitalised administration costs of £0.3m (2021: £0.2m).

EXPENDITURE ON WORKS TO EXISTING PROPERTIES

Group and Association

	2022 £million	2021 £million
Total capitalised costs in respect of existing properties and replacement components	1.6	1.0
Amounts charged to income and expenditure	-	-
	<u>1.6</u>	<u>1.0</u>

HOUSING PROPERTIES BY TENURE

Group and Association

	2022 £million	2021 £million
Freehold land and buildings	72.2	72.7
Long leasehold land and buildings	7.0	7.2
Short leasehold land and buildings	2.6	2.8
	<u>81.8</u>	<u>82.7</u>

10C. TANGIBLE FIXED ASSETS – OTHER

Group and Association

	Computers Equipment £million	Furniture and Equipment £million	Leasehold improvements £million	Total £million
Cost				
As at 31 March 2020, 2021 and 2022	<u>0.1</u>	<u>0.3</u>	<u>0.8</u>	<u>1.2</u>
Depreciation and impairment				
31 March 2020	0.1	0.3	0.1	0.5
Depreciation charged in year	-	-	0.1	0.1
31 March 2021	<u>0.1</u>	<u>0.3</u>	<u>0.2</u>	<u>0.6</u>
Depreciation charged in year	-	-	0.1	0.1
31 March 2022	<u>0.1</u>	<u>0.3</u>	<u>0.3</u>	<u>0.7</u>
Carrying amount				
31 March 2022	<u>-</u>	<u>-</u>	<u>0.5</u>	<u>0.5</u>
31 March 2021	<u>-</u>	<u>-</u>	<u>0.6</u>	<u>0.6</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2022

11. INVESTMENT IN SUBSIDIARIES AND ASSOCIATES

Association	2022	2021
Investment in subsidiaries	£million	£million
Cost		
At start of period	0.1	0.1
At end of period	0.1	0.1

Group	2022	2021
Share of associate – Social Impact Bristol Limited	£million	£million
Share of (loss)/profit in associate	-	-
Share of:		
Current Assets	-	0.1
Creditors	-	(0.1)

The St Mungo Community Housing Association subsidiary undertakings are:

<i>Name of undertaking</i>	<i>Class of shareholding</i>	<i>Country of incorporation</i>	<i>Proportion of nominal value held directly</i>	<i>Nature of Business</i>
Broadway Homelessness and Support	Ordinary	England	100%	Dormant
Street Impact London Limited	Ordinary	England	100%	Dormant.
Street Impact Brighton Limited	Ordinary	England	100%	Dormant.
St Mungo's Homes Limited	Ordinary	England	100%	Dormant.

Additionally St Mungo Community Housing Association owns 33% of Social Impact Bristol Limited.

12. DEBTORS

	Group		Association	
	2022	2021	2022	2021
	£million	£million	£million	£million
Amounts falling due within one year:				
Rent and services receivable	8.2	5.7	8.2	5.7
Less: provision for bad and doubtful debts	(5.1)	(3.8)	(5.1)	(3.8)
	3.1	1.9	3.1	1.9
Trade debtors	11.1	10.1	11.1	10.0
Other debtors	-	0.1	-	0.1
Prepayments and accrued income	4.6	5.9	4.6	5.7
Capital grant receivable	0.8	0.9	0.8	0.9
	19.6	18.9	19.6	18.6

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2022

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Association	
	2022	2021	2022	2021
	£million	£million	£million	£million
Rent and service charges received in advance	5.7	4.2	5.7	4.2
Deferred capital grants (note 15)	1.6	1.5	1.6	1.5
Trade creditors	2.1	3.0	2.1	3.0
Amounts owed to subsidiary undertakings	-	-	0.1	0.1
Other taxation and social security costs	1.7	2.3	1.7	2.2
Other creditors	0.7	0.4	0.7	0.4
Accruals and deferred income	15.1	13.6	15.1	13.6
	26.9	25.0	27.0	25.0

14. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Association	
	2022	2021	2022	2021
	£million	£million	£million	£million
Recycled capital grant	0.5	0.5	0.5	0.5
Deferred capital grants (note 15)	71.5	72.8	71.5	72.8
	72.0	73.3	72.0	73.3

15. DEFERRED CAPITAL GRANT

Association and Group	2022	2021
	£million	£million
As at 1 April	74.3	74.2
Grant received in the year	0.5	1.7
Capital grant released	(1.7)	(1.6)
As at 31 March	73.1	74.3

In full the Association has received Social Housing Grants of £103,322,000 from Government Bodies (2021: £102,765,000). The Association intends to use the recycled grant to fund new property development activities furthering the Associations aims and objectives.

Recycled Capital Grant

	2022	2021
	£million	£million
As at 1 April	0.5	0.5
As at 31 March	0.5	0.5

16. PROVISIONS FOR LIABILITIES

Group and Association

	Dilapidations	Total
	£million	£million
1 April 2020	2.0	2.0
Additional provision in year	1.5	1.5
31 March 2021	3.5	3.5
Utilised in the year	(0.3)	(0.3)
Additional provision in year	0.8	0.8
31 March 2022	4.0	4.0

Dilapidations: This represents the anticipated cost of making good properties at the end of their lease terms.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2022

17. MEMBERS AND RESERVES

The Association is limited by guarantee and consequently has no share capital. Each of the Association's members agrees to contribute £1 in the event of the Association winding up.

	2022 No.	2021 No.
Number of members		
1 April	12	13
Joined during the year	3	-
Left during year	(3)	(1)
31 March	<u>12</u>	<u>12</u>

RESTRICTED RESERVES	At 1 April 2021 £million	Income £million	Expenditure £million	At 31 March 2022 £million
Recovery College	0.9	0.8	(0.9)	0.8
Oxford Mental Health	0.5	-	-	0.5
HomelessWise	0.2	0.2	(0.4)	-
Putting Down Roots	0.1	0.2	(0.3)	-
Other	0.7	1.5	(1.7)	0.5
Total	<u>2.4</u>	<u>2.7</u>	<u>(3.3)</u>	<u>1.8</u>

Restricted reserves

The reserves represent the value of donations and grants which are expendable in furtherance of some particular aspect of the objects of the Association.

18. RECONCILIATION OF PROFIT AFTER TAX TO NET CASH GENERATED FROM OPERATIONS

Group	2022 £million	2021 £million
(Deficit) / for the year	(0.1)	(1.2)
Interest payable	0.2	0.2
Operating Surplus / (Deficit)	0.1	(1.0)
Defined Benefit Pension Scheme payment toward deficit	(1.6)	(1.4)
<i>Adjustments for non-cash items:</i>		
Amortisation of capital grant	(1.7)	(1.6)
Amortisation of intangible assets	0.1	-
Depreciation of tangible fixed assets	3.6	3.6
Increase in provisions	0.5	1.5
Defined Benefit Pension costs recognised in Statement of Comprehensive Income	0.1	0.1
Operating cash flows before movements in working capital	1.1	1.2
(Increase) in trade and other debtors	(0.8)	(1.9)
Increase in trade and other creditors	1.8	5.2
Cash generated from operations	2.1	4.5

	2022 £million	2021 £million
Cash and cash equivalents represent:-		
Cash at bank	0.1	(0.4)
Short-term deposits	22.4	23.3
	<u>22.5</u>	<u>22.9</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2022

19. CAPITAL COMMITMENTS AND OTHER CONTRACTUAL OBLIGATIONS
Group and Association

	2022 £million	2021 £million
Capital expenditure contracted for but not provided in the financial statements	1.4	1.0
Expenditure authorised by the Board, but not contracted	9.9	6.1
	<u>11.3</u>	<u>7.2</u>

These liabilities will be met by the use of free cash reserves.

20. COMMITMENTS UNDER OPERATING LEASES
Group and Association

	2022 £million	2021 £million
The total future minimum lease payments are payable:		
Within one year	6.9	11.1
Between one and five years	9.4	13.9
After five years	2.5	3.3
	<u>18.8</u>	<u>28.3</u>

21. RETIREMENT BENEFITS

Social Housing Pension Scheme (SHPS) - defined benefit scheme

The Association participated in the Social Housing Pension Scheme, a multi-employer scheme which provides benefits to some 500 non-associated employers. The scheme is a defined benefit scheme in the UK. In November 2020 the Association exited from this scheme and transferred the scheme assets to a new scheme – the St Mungo's Defined Benefit Pension Scheme. St Mungo's changed its employee pension scheme from the Pensions Trust to Aviva in November 2020.

Defined contribution pension schemes

The Group participates in a number of defined contribution pension schemes for all qualifying employees.. The assets of the schemes are held separately from those of the Group in independently administered funds. On the 9th of November Aviva became our company defined contribution pension scheme. Employees who previously held assets in the Pension Trust were subject to a bulk transfer to the new scheme, with the exception of those staff who had linked benefits to their Pensions Trust administered Defined Benefit Scheme. Employees in Scottish Widows and Nest have all future contributions being paid to Aviva and the choice to consolidate their pension within Aviva should they wish. The contributions payable by the Group are charged to expenditure, and contributions payable to the fund at the year-end are included in creditors as follows:

Administrator	Contributions payable charged to Statement of Comprehensive Income		Contributions payable to the fund included in creditors	
	2022 £million	2021 £million	2022 £million	2021 £million
Scottish Widows		0.1	-	-
Pensions Trust	0.1	1.3	-	-
Aviva	2.1	0.8	(0.4)	(0.3)
	<u>2.2</u>	<u>2.2</u>	<u>(0.4)</u>	<u>(0.3)</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2022

21. RETIREMENT BENEFIT CONTINUED

SOCIAL HOUSING PENSION SCHEME

The Association participated in the Social Housing Pension Scheme, a multi-employer scheme which provides benefits to some 500 non-associated employers. The scheme is a defined benefit scheme in the UK. On 9 November 2020 the Association exited from this scheme and transferred the scheme assets to a new scheme – the St Mungo's Defined Benefit Pension Scheme.

This is a separate trustee administered fund set up on 9 November 2020 following the transfer of assets and obligations from the Social Housing Pension Scheme (SHPS). The scheme holds the pension scheme assets to meet long term pension liabilities. Scheme liabilities have been based on data provided for the SHPS actuarial valuation as at 30 September 2019 updated to 31 March 2022 by a qualified actuary, independent of the scheme's sponsoring employer. The major assumptions used by the actuary are shown below.

Following the bulk transfer from SHPS as at 9 November 2020, in accordance with the interim Schedule of Contributions, the employer agreed to pay deficit contributions of £1,500,000 per annum increasing at 2% on each 1 April. In addition, the employer will pay contributions in respect of scheme expenses equal to £81,000 per annum. Contribution payments will be reviewed once the scheme undertakes its first actuarial valuation as at 30 September 2021.

DEFINED BENEFIT PENSION LIABILITY

	2022	2021
	£million	£million
1 April	10.6	10.1
Defined benefit costs recognised in Statement of Comprehensive Income	0.3	0.3
Defined benefit (gains) / costs recognised in Other Comprehensive Income	(1.2)	1.6
Deficit contribution paid	(1.6)	(1.4)
31 March	<u>8.1</u>	<u>10.6</u>

PRESENT VALUE OF DEFINED BENEFIT OBLIGATION, FAIR VALUE OF ASSETS AND DEFINED BENEFIT LIABILITY

	2022	2021
	£million	£million
Fair value of plan assets	43.6	40.8
Present value of defined benefit obligation	(51.7)	(51.4)
Deficit in plan	(8.1)	(10.6)
Unrecognised surplus	-	-
Defined benefit liability to be recognised	(8.1)	(10.6)
Deferred Tax	-	-
Net defined benefit liability to be recognised	<u>(8.1)</u>	<u>(10.6)</u>

RECONCILIATION OF OPENING AND CLOSING BALANCES OF THE DEFINED BENEFIT OBLIGATION

	2022	2021
	£million	£million
Defined benefit obligation at start of period	51.4	47.5
Interest expense	1.1	1.0
Actuarial losses / (gains) due to scheme experience	0.9	(1.3)
Actuarial losses / (gains) due to changes in demographic assumptions	2.1	(0.8)
Actuarial (gains) / losses due to changes in financial assumptions	(2.9)	5.7
Benefits paid and expenses	(0.9)	(0.7)
Defined benefit obligation at end of period	<u>51.7</u>	<u>51.4</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2022

21. RETIREMENT BENEFIT CONTINUED

RECONCILIATION OF OPENING AND CLOSING BALANCES OF THE FAIR VALUE OF PLAN ASSETS

	2022	2021
	£million	£million
Fair value of plan assets at start of period	40.8	37.4
Interest income	0.9	0.8
Experience on plan assets (excluding amounts added as interest income) gain	1.2	2.0
Contributions by the employer	1.6	1.4
Benefits paid and expenses	(0.9)	(0.8)
Fair value of plan assets at end of period	<u>43.6</u>	<u>40.8</u>

The actual return on plan assets (including any changes in share of assets) over the year ended 31 March 2022 was £2,123,000 (year ended 31 March 2021 - £2,813,000).

DEFINED BENEFIT COSTS RECOGNISED IN STATEMENT OF COMPREHENSIVE INCOME (SOCl)

	2022	2021
	£million	£million
Expenses	0.1	0.1
Net interest expense	0.2	0.2
Defined benefit costs recognised in statement of comprehensive income (SoCI)	<u>0.3</u>	<u>0.3</u>

DEFINED BENEFIT COSTS RECOGNISED IN OTHER COMPREHENSIVE INCOME

	2022	2021
	£million	£million
Experience on plan assets (excluding amounts included in net interest cost) – gain	1.2	2.0
Experience gains and losses arising on the plan liabilities – (loss) / gain	(0.8)	1.3
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation – (loss) / gain	(2.1)	0.8
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation – gain / (loss)	2.9	(5.7)
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) – gain / (loss)	<u>1.2</u>	<u>(1.6)</u>
Total amount recognised in other comprehensive income – gain / (loss)	<u>1.2</u>	<u>(1.6)</u>

ASSETS

	2022	2021
	£million	£million
Equity	4.5	2.5
Bonds	8.6	8.7
Property	3.4	2.6
Cash	0.5	1.0
Other	12.6	12.8
LDI	14.0	13.2
Total assets	<u>43.6</u>	<u>40.8</u>

None of the fair values of the assets shown above include any direct investments in the employer's own financial instruments or any property occupied by, or other assets used by, the employer.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2022

21. RETIREMENT BENEFIT CONTINUED

KEY ASSUMPTIONS

	2022	2021
	% per annum	% per annum
Discount Rate	2.80	2.20
Inflation (RPI)	3.50	3.15
Inflation (CPI)	3.20	2.80
Salary Growth	2.80	2.80
	75% of maximum allowance	75% of maximum allowance
Allowance for commutation of pension for cash at retirement		

	2022	2021
	(Years)	(Years)
The mortality assumptions adopted imply the following life expectancies on retirement age 65:		
Male retiring in 2022	21.6	21.7
Female retiring in 2022	24.0	23.5
Male retiring in 2042	23.2	23.0
Female retiring in 2042	25.5	24.7

PENSION TRUST – GROWTH PLAN

The Group participated 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 Group to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it accounted for the scheme as a defined contribution scheme.

The Group settled this liability in 2020/2021 for £64,000.

22. LOCAL GOVERNMENT HOUSING ACT 1998

The total grant available from the Association of London Government and London Councils for the year ended 31 March 2022 for the Assertive Offender Resettlement Project was £251,378 (2021: £251,378). The analysis below summarises what the grants were awarded for and how they have been used:

London Councils – Assertive Offender Resettlement

	Grant	Spend
	£000	£000
Salaries	190	161
Beneficiary costs	14	6
Running costs	47	36
	<u>251</u>	<u>203</u>

As at the 31 March 2022 the amount of grant unspent and therefore not received was £48,509 (2021:£4,619).

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2022

23. NATIONAL LOTTERY COMMUNITY FUND

We received no funding from the National Lottery in 2021-22. In 2020-21 three of our projects were funded by the National Lottery through the National Lottery Community Fund:

- National Lottery Community Fund Our Bright Future grant investment towards Putting Down Roots for Young People was £nil (2021: £133,040) during the year. The project has now ended.
- National Lottery Community Fund Reaching Communities grant investment towards the Recovery College Project was £nil during the year (2021: £70,171).
- National Lottery Community Fund Covid 19 Emergency Fund grant investment towards our pandemic response was £nil (2021: £210,445).

24. LEGISLATIVE PROVISIONS

The Association is incorporated under the Companies Act 2006 and registered with the Regulator of Social Housing and Charity Commission.

25. RELATED PARTY TRANSACTIONS

The following transactions are with 100% owned entities which are not regulated by the Regulator of Social Housing:

- Street Impact London Limited has been charged £82,754 (2021: £261,288) of delivery charges per the sub contract with the Association. £nil of these were owed as at 31 March 2022 (2021: £130,664).
- Street Impact Brighton has been charged £nil (2021: £133,271) of delivery charges per the sub contract to the Association. £nil of these were owed as at 31 March 2022 (2021: £nil).
- Street Impact Brighton donated £133,542 (2021: £31,275) to the Association during the year.
- Street Impact London donated £105,134 (2021: £nil) to the Association during the year
- £99,000 was owed by the Association to Broadway Homelessness and Support (2021: £99,000).

The following transactions are with a 33% owned entity which is not regulated by the Regulator of Social Housing:

- Social Impact Bristol has been charged £nil and has accrued £nil (2021: £150,878 and £25,495) of delivery charges per the sub contract to the Association.
- Social Impact Bristol Limited gifted £6,251 (2021: £49,780) to the Association during the year.

St Mungo Community Housing Association

Audit findings report
year ended 31 March 2022



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Executive summary

This report summarises our key findings in connection with the audit of the financial statements of St Mungo Community Housing Association and its subsidiaries in respect of the year ended 31 March 2022.

The scope of our work was communicated to you via our Audit Plan document. We believe that the audit approach adopted will provide the Assurance and Risk Committee with the required confidence that a thorough and robust audit has been carried out.

Our audit work is now complete and we have issued an unmodified audit opinion on the group's financial statements in line with the agreed timetable.



Risks and approach

We have carried out testing as planned on the risks identified during planning and our conclusions are set out in the body of this document.

Additional matters

There are no material additional matters to bring to the attention of those charged with governance.

Final materiality

Group Materiality was determined based on 5% of net assets (adding back capital grants) for the Statement of Financial Position and 2% of total revenue for the Income and Expenditure account. This was quantified, at the planning stage, as £3.2m and £2m respectively. There have been no material changes to the materiality levels during the course of the audit.

Risks identified at the planning stage

Risk	Description	Response	Findings
Revenue recognition	<p>The group has a number of income streams including;</p> <ul style="list-style-type: none"> Rental Income Contract Income Donations <p>International Standards on Auditing 240 requires auditors to assume that revenue recognition is a fraud risk or to rebut this presumption.</p> <p>Accordingly, this area will be one of audit focus.</p>	<p>We will:</p> <ul style="list-style-type: none"> Review accounting policies adopted to ensure they are appropriate, and they have been consistently applied Ensure that income is recognised appropriately in accordance with adopted accounting policies and that any income received in advance is properly deferred in accordance with accounting requirements For contract income, ensure revenue is recognised in line with contract terms and any contract variations that have been agreed Ensure that management has fully considered the impact of the risk of any claw-back of income Discuss with management and review of minutes to identify any unexpected one-off sources of income. Review the donations income and determine if there are any restrictions on its use imposed by donors Assess the recoverability of the increased amount of accrued income anticipated at the year end and verify the reasons for the increase to ensure income is not overstated 	<p>We have undertaken the planned procedures as listed at the planning stage, no exceptions were noted with the samples tested supporting the conclusion that income is being recognised in accordance with the accounting policies.</p> <p>A sample of contract income has been reviewed in line with underlying agreements and corresponding invoices. There have been no material variances noted from underlying documentation.</p> <p>A sample of donations have been reviewed in line with underlying support available. There were no instances noted of inappropriate accounting treatment. Where restrictions were attached to donations by the donor these were appropriately treated as restricted funds in the financial statements.</p> <p>No material issues identified with the recoverability of accrued income as reported at the year end.</p> <p>Refer to comments made later in this document in respect of rental debtors / deferred income balances.</p>
Impairment of properties	<p>The Housing SORP and FRS102 require management to assess at each reporting date whether there are any indications of impairment.</p>	<p>St Mungo's conducted a detailed impairment review in this area in 2018/19. We will review management's updated assessment for 2021/22 considering the reasonableness of the underlying assumptions and calculations and reviewing whether any impairment provision, or reversal thereof, has been calculated and accounted for appropriately.</p>	<p>RSM received and reviewed the valuation which had been prepared by an external valuer Savills in support of managements impairment review.</p> <p>No Impairment triggers have been noted by management in the year, with social housing properties having been appraised against MV, EUV-SH or reinstatement value. Calculations of these values and the comparisons have been reviewed by RSM in which there have been no concerns noted.</p>

Management override of controls	<p>In any organisation there will be an extent to which management can bypass internal controls. By definition, there can be no controls over this risk and this is specifically stated in International Standards on Auditing ("ISA"): 240. Such over-ride, if exercised, could give rise to material fraud or misstatement in the financial statements.</p>	<p>We will:</p> <ul style="list-style-type: none"> • Review the accounting systems, procedures and wider control environment of the Group. Discuss and consider segregation of duties within the established control environment. • Review internal audit reports and follow up on their findings, where these could give rise to a material impact on the statutory financial statements. • Review controls over journal entries and test a sample of journals to ensure that they are valid and appropriately supported. • Obtain an understanding of the business rationale of significant transactions that we become aware of during the audit process that appear to be outside the normal course of business for the Group or that appear to be unusual, given our understanding of the Group's operating environment. • Consider estimates and judgements made by management in the preparation of the statutory accounts and conclude on their appropriateness. Board representations will be sought in this area, where needed. 	<p>No significant issues were identified from our review of the accounting systems, processes or the control environment. Our review of internal audit reports did not identify any matters which impacted materially on our risk assessments or the scope of work.</p> <p>We employed data analytics to review all journal entries and identify a sample for further corroboration. Our work has been concluded satisfactorily.</p> <p>We identified no significant transactions outside the normal course of business throughout the audit engagement. We were provided with supporting documentation for other significant transactions within the normal course of the business identified for testing.</p> <p>Key estimates and judgements were reviewed as planned, with no significant issues identified and no evidence of management bias noted.</p>
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Development activities and maintenance expenditure	We understand that development is continuing on a number of schemes, with the development at Spring Gardens being completed during the year. Planned and reactive maintenance expenditure continues to be a significant cost of the Association.	<p>We will:</p> <ul style="list-style-type: none"> • Substantively test additions and transfers / disposals to confirm that they have been accurately accounted for and analysed appropriately • Review the treatment of any development costs carried forward in the balance sheet • Review expenditure to ensure that the Association's capitalisation and depreciation policies are appropriate and have been applied consistently; particularly consider whether depreciation on components, including accelerated depreciation on components that have been replaced, is accounted for appropriately • Review adequacy of oversight of development activities by the Board. • Review maintenance expenditure to ensure that the categorisation of such spend is appropriate and assess the completeness of the expenditure. 	<p>A sample of additions and disposals have been tested as part of planned work, and no exceptions have been noted with regards to accounting treatment or disclosure.</p> <p>We reviewed schemes completed and transferred and concluded the classification of those properties is appropriate as at 31 March 2022.</p> <p>No significant variances were noted from our review of depreciation and component accounting treatment.</p> <p>Our review of repairs and maintenance has not identified any significant capital items being expensed and the nature of the expenditure written off appears appropriate.</p> <p>Our work in reconciling the fixed asset registers to the financial statements was complicated by differences in the names of properties between the valuation report, assets management team and finance team. This therefore involved some additional effort by the finance team and the audit team but has been concluded satisfactorily.</p>
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<p>Covid-19 and going concern</p>	<p>The Covid-19 pandemic has caused significant disruption to the global economy and continued during the year to impact the United Kingdom. In addition, the implementation of ISA 570 (UK) Revised Going Concern has resulted in enhanced risk assessment and greater challenge and work effort to be performed by us, when evaluating management's assessment in relation to going concern.</p> <p>It is essential that we have sufficient time to build such efforts into the performance of our audit engagement.</p>	<p>As part of our audit we will consider:</p> <ul style="list-style-type: none"> • The forward-looking assumptions used by management in their assessments relating to going concern. • Management's sensitivity analysis to reasonably possible changes in their assumptions, including downsides. • Management's scenario analysis, stress testing, and contingency plans. • Supporting evidence provided by management for their assumptions, and related disclosures, and challenge where necessary. • Appropriateness of related disclosures in the financial statements, depending on the degree of sensitivity to changes in assumptions and whether there is a significant risk of causing a material adjustment to the carrying amount of assets and liabilities. • Consistency, adequacy, and specificity of disclosures in the Strategic Report in respect of principal risks and uncertainties and future plans. • Implications, if any, for our audit report. • We will seek written representations from management about their plans for the future and the feasibility of their plans. 	<p>We reviewed management's assessment of going concern and are satisfied it covers a period of at least 12 months from the expected date of signature of the financial statements. The conclusions drawn by management are based on forecasts including a group cash flow, income and expenditure statement and balance sheet.</p> <p>Our work included review of management assumptions, stress testing analysis, considerations of cost of living, Covid 19, inflation and other possible economic impacts and we are satisfied these factors are appropriately taken into account by the Directors in making their assessment.</p>
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Payroll costs	Payroll expenditure continues to be a significant cost to the Association, and we understand that there continues to be high turnover and high agency staff costs.	<p>We will:</p> <ul style="list-style-type: none"> • Review the control environment around payroll and agency costs • Review a sample of employees' contracts and confirm pay rises/adjustments to HR records • Undertake controls testing on a sample of transactions during the year • Review variances from budget in payroll and agency costs and obtain corroborative evidence to support explanations. • Review use of Coronavirus Job Retention Scheme and disclosures made 	<p>Walkthroughs undertaken as part of planned audit work around the payroll systems and related control environment have not identified any control recommendations.</p> <p>A sample of employees' have been selected and their payroll costs reviewed in line with underlying contracts and HR records. No exceptions have been noted.</p> <p>We reviewed actual costs against budgeted costs. Variances were corroborated and it is noted that actual payroll and agency costs were marginally lower than initially budgeted. This is in line with our understanding of the organisation and explanations appears appropriate and have been corroborated. We noted no other issues.</p> <p>Furlough claims in the year have been sampled and reviewed in line with underlying documentation and amounts claimed. No exceptions or material matters were noted from testing performed.</p>
Laws and regulations	This remains an important area for all Registered Providers.	<p>We will review and consider the following:</p> <ul style="list-style-type: none"> • Committee and Board Minutes • Correspondence with relevant regulators • Internal Audit Reports • Value-for-Money disclosures. • The reports issued, findings and responses to the recent IDA 	<p>We have discussed the regulatory environment with management and reviewed minutes and correspondence with Regulators and no material matters have been identified.</p> <p>Internal audit reports for the year under review, have been reviewed and have not indicated any instances of non-compliance in relation to 2022 audit of the financial statements.</p> <p>Value-for-Money disclosures and underlying calculations have been reviewed and our work concluded satisfactorily.</p> <p>The in depth assessment undertaken by the Regulator for Social Housing concluded that St Mungo continues to meet the requirements on governance set out in the Governance and Financial Viability Standard. However, the concluded that St Mungo needs to improve some aspects of its governance arrangements to support continued compliance. St Mungo was downgraded from G1 to G2.</p>

Change of IT systems	<p>It is understood that a new system, CX, was implemented during the year, and we understand there have been some challenges with aspects of the implementation,</p>	<p>We will review and consider the following:</p> <ul style="list-style-type: none">• Transfer of data from the old system to the new system• Changes in the control environment or the way in which transactions are initiated, processed and reconciled.• The responses and actions from the business to address the challenges encountered with the implementation of the CX system.	<p>Walkthroughs undertaken as part of planned audit work around the change of IT system and related control environment have not identified any control recommendations.</p> <p>No issues were identified in the transfer of data from the old system to the new system.</p> <p>There remain some issues as regards the operation of the new system but our work has not identified any material concerns in relation to the rental income reported. However, there are on-going issues with regards the allocation of receipts against rental debtors giving rise to a potential misstatement on the balance sheet. This is not felt to be material and comments have been noted in relation to this in the next section of this report.</p>
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Recommendations on controls

We have set out below recommendations on internal controls which came to our attention during the course of our audit work. This does not constitute a comprehensive statement of all internal control matters or of all improvements which may be made and has addressed only those matters which have come to our attention as a result of the audit procedures performed. An audit is not designed to identify all matters that may be relevant to you and accordingly the audit does not ordinarily identify all such matters.

Assessment	Issue and risk
	<p>Allocation of funds received in CX system</p> <p>It was noted during the audit that there is some mis-allocation of certain entries in the rent in advance balance where this some of these entries are believed to relate to funds received. As a result, we noted an immaterial difference of approximately £0.5m (being unallocated / misallocated receipts against rental debtors). This has arisen due to the implementation of the new CX system.</p> <p>There is a risk that as time progresses these variances increase in value and lead to a material over-statement of rental debtors and rents in advance.</p> <p>Recommendations</p> <ul style="list-style-type: none"> We recommend that the rent in advance account is fully reviewed on a monthly basis so that variances can be understood, resolved, and kept to a minimum. <p>Management Response</p> <ul style="list-style-type: none"> We have a designated staff member solely responsible for reconciling both former clients' accounts with rent advance and multiple accounts. This is to ensure Housing Benefit payments are allocated according to room changes or refunded to the local authority as appropriate. We aim to complete outstanding reviews by end of December 2022 and adopt a monthly review approach from January 2023.

Assessment

- Significant control recommendation
- Other control recommendations

Other matters to be reported

Management judgements and accounting estimates

The following areas are considered to be the principal accounting estimates. The graphic below visually represents the impact (lower or higher) on the financial statements of a change in management's estimate. In overview, a reasonably possible change in estimate that has a low impact means that such a change will have limited impact on the financial statements. Conversely a reasonably possible change that has a higher impact, means that such a change can have a significant impact.

Estimates	Low impact		High impact
Provision for arrears rental arrears and bad debts	●		
Housing properties impairment			●
Pension assumptions			●
Capitalisation of development expenditure		●	
Useful economic lives of component fixed assets		●	

- We confirm that the dilapidation provision of £3.9m is our best estimate and all relevant information in relation to this has been provided to you.
- We confirm that all accrued income balances as at 31 March 2022 are recoverable.
- We confirm that remuneration paid to Directors is accurate.

Disclosure observations

A number of disclosure observations were noted on review of the financial statements and all material matters have been addressed in the updated financial statements. The SECR reporting makes reference to changes to the prior period measures but does not specifically include the comparative figures but this is not felt to be a material omission.

Representations requested

In addition to those representation which we request on all audit assignments (<http://www.rsmuk.com/standard-representations>) we will be seeking specific representations from the Board on the following matters:

Update on matters communicated at the planning stage

Matter communicated	Update
Fees	We confirm that the fees charged during the year in respect of services performed are consistent with those contained within our Audit Plan submitted to you
Independence	In accordance with International Standard on Auditing (UK) 260 “Communication with those charged with governance”, there are no changes to the details of relationships between RSM UK Audit LLP including its related entities and persons in a position to influence the conduct or outcome of the audit and St Mungo Community Housing Association and its connected parties that may reasonably be thought to bear on our independence, integrity and objectivity and the related safeguards from those disclosed in the Audit Plan.

This report has been prepared for the sole use of St Mungo Community Housing Association and must not be disclosed to any third party, or quoted or referred to, without our written consent. No responsibility is assumed to any other person in respect of this report.



Unadjusted accounting misstatements

There have been no unadjusted errors identified during the course of our work above those items that we consider to be "clearly trivial" in the context of our audit. We advised management of all these misstatements during the fieldwork.

Communication of audit matters to those charged with governance

Our communication plan	Audit plan	Audit findings
Respective responsibilities of auditor and management/those charged with governance	●	
Overview of the planned scope and timing of the audit, form, timing, materiality and expected general content of communications including significant risks and key audit matters	●	
Confirmation of independence and objectivity	●	●
Significant matters in relation to going concern (if any)		●
Views about significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures (if any)		●
Significant findings from the audit		●
Significant matters and issues arising during the audit and written representations that have been sought		●
Significant difficulties encountered during the audit (if any)		●
Unadjusted accounting misstatements and material financial statement disclosure omissions		●
Expected modifications to the auditor's report, or emphasis of matter (if any)		●

ISA (UK) 260, as well as other ISAs (UK), prescribes matters which we are required to communicate with those charged with governance, and which we set out in the table here.

The Audit Plan outlined our audit strategy and plan to deliver the audit, while the Audit Findings presents key issues, findings and other matters arising from the audit, together with an explanation as to how these have been resolved.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

Financial reporting updates

Important updates

The following financial reporting updates have been issued since we presented our audit plan which will be relevant to you.

A full list of financial reporting updates can be found by clicking the link below:



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Our Report is prepared solely for the confidential use of St Mungo Community Housing Association and solely for the purpose of explaining the scope of the audit, our proposed audit approach, and to highlight the key risks that we will be focusing our audit work upon, forming part of the ongoing communications we are required to make under International Standard on Auditing (UK and Ireland) 260 – Communication of audit matters with those charged with governance. Therefore, the report may not, without our express written permission, be relied upon by St Mungo Community Housing Association for any other purpose whatsoever, be referred to in whole or in part in any other external document or made available (in whole or in part) or communicated to any other party. RSM UK Audit LLP neither owes nor accepts any duty to any other party who may receive our Report and specifically disclaims any liability for any loss, damage or expense of whatsoever nature, which is caused by their reliance on our Report.

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