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COMPANIES

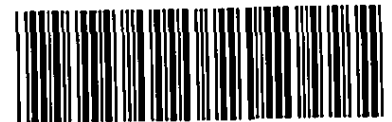
THE STEPPING STONE PROJECT (ROCHDALE)
(A COMPANY LIMITED BY GUARANTEE)

REPORT AND FINANCIAL STATEMENTS

YEAR ENDED

31 MARCH 2007

FRIDAY



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COMPANIES HOUSE

Tenon Limited

Accountants and Business Advisers
Lewis House
12 Smith Street
Rochdale
Lancashire
OL16 1TX

THE STEPPING STONE PROJECT (ROCHDALE)

Annual report and financial statements for the year ended 31 March 2007

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Chair

Ms S Sharratt

Treasurer

Mr T Blanchon

Secretary

Ms J Gallagher

Charity Trustees

Ms S Sharratt
Mr D Andrew
Mr A Moss

Mr T Blanchon
Mr J Woodham
Mr J Leigh (Resigned 14/12/2006)

Chief Executive Officer

Kathleen Barlow

Registered Company Number

2647645

Registered Charity Number

1004375

Registered Office

Central Office, PO Box 153, Rochdale, OL16 1FR

Accountants

Tenon Limited, Lewis House, 12 Smith Street, Rochdale, Lancashire, OL16 1TX

Auditors

Tenon Audit Limited, Lewis House, 12 Smith Street, Rochdale, Lancashire, OL16 1TX

Bankers

Royal Bank of Scotland, Plc, The Butts, Rochdale, Lancashire, OL16 1EY

Solicitors

Feld, McKay and Donner, 160 Oldham Road, Rochdale, Lancashire, OL11 1AG

THE STEPPING STONE PROJECT (ROCHDALE)

Report of the Directors for the year ended 31 March 2007

The directors present their report and audited financial statements for the year ended 31 March 2007

STRUCTURE, GOVERNANCE & MANAGEMENT

(a) Structure

Stepping Stone is a company limited by guarantee, its governing document being its Memorandum and Articles of Association

The directors of the company are its trustees for the purposes of charity law and under its Memorandum and Articles of Association are collectively referred to throughout this report as The Council of Management

The Charity's principle objectives are to relieve persons who are homeless or in necessitous circumstances

(b) Governance

Stepping Stone has a Council of Management of up to fourteen members, who meet monthly and are responsible for strategic direction and policy. At present the Charity has six members from a variety of professional backgrounds relevant to the work of the organization.

Under the requirements of the Charity's Memorandum and Articles of Association the Chair and Treasurer are elected annually. Other members of the Council of Management are elected for a period of three years, after which they must be re-elected at the next Annual General Meeting.

Day to day responsibility for the provision of services is delegated to a management team consisting of a Director, an Assistant Director - Finance and three Service Managers. A director in this case is not a director as defined by company law.

The Council of Management is supported by two sub groups, which meet regularly to review specific issues in more detail. The two sub committees are, Finance, which meets monthly, and the Staff and Policy committee, which meets at least quarterly, but more frequently, if required. Each sub group is chaired by a member of the Council of Management who reports back to the Council.

Recruitment of Trustees to the Council of Management

The Council of Management tries to ensure that the needs of this group are fully reflected in the diversity of skills and experience of the trustee body. The Charity has through selective advertising and networking sought to recruit suitably qualified individuals to use their skills and expertise to assist the Company. The more traditional business skills are well represented on the Council of Management. In an effort to maintain this broad skill base members are requested to provide a comprehensive list of their skills, which is updated annually.

Induction and training

New trustees are invited and encouraged to attend a series of short induction sessions to familiarize themselves with the Charity and its workings. These sessions are jointly led by the Chair and the Director of the Charity. These sessions include:

- The fiduciary responsibilities of the Council of Management under charity and company law,
- The operational framework of the Charity and its decision making process,
- The contents of its Memorandum and Articles of Association,
- The Business Plan which sets out its future plans and objectives, and
- The latest set of statutory accounts

Use is also made of various Charity Commission publications, in particular "The Essential Trustee" guide, which is included in the information pack sent to all new and potential trustees. New trustees are encouraged to feed back to the Chair on the induction process.

THE STEPPING STONE PROJECT (ROCHDALE)

Report of the Directors for the year ended 31 March 2007 (*continued*)

(c) Management

Responsibility for strategy, planning and day to day management of operations is delegated to an executive management team consisting of a Director, an Assistant Director of Finance and service managers

Systems of internal controls are designed to provide reasonable, but not absolute, assurance against material misstatement or loss. They include

- A strategic plan and annual budget approved by the Trustees
- Regular consideration by the Trustees of financial results, variance from budgets, non financial performance indicators and benchmarking reviews
- Delegation of authority and segregation of duties
- Identification and management of risks

The Trustees have introduced a formal risk management process to assess business risks and implement risk management strategies. The risk strategy policy comprises

- An annual review of the risks the Charity may face,
- The establishment of systems and procedures to mitigate those risks identified in the plan,
- The implementation of procedures designed to minimize any potential impact on the Charity should any of those risks materialize

An element in the management of financial risk is the setting of a reserves policy and its regular review by the Council of Management

OBJECTIVES & ACTIVITIES

(a) Objects and Aims

The Charity's principal objectives as set out in its Memorandum of Association are to relieve persons who are homeless or in necessitous circumstances by

- a) Providing counselling and support services in matters relating to housing and associated social and economic problems, and
- b) Providing temporary accommodation or assistance in the provision of permanent accommodation for such persons

The main objectives and activities for the year continued to focus on the rehabilitation of homeless persons. The strategies employed by the charity included

- The provision of a range of supportive services and facilities that addressed the problems associated with homelessness,
- Working in partnership with other agencies to secure the widest range of support services that best meets the needs of the client group

THE STEPPING STONE PROJECT (ROCHDALE)

Report of the Directors for the year ended 31 March 2007 (*continued*)

ACHIEVEMENTS & PERFORMANCE

Key Achievements in 2006/07

Stepping Stone has a strong commitment and excellent reputation for providing quality accommodation and support services, which are tailored to individual needs

The focus of this year's activity has been to shape the organisation to support the delivery of high quality and effective services to service users and to demonstrate value for money to our funders

The past year has been a period of change. We have

- Recruited a new Executive Director
- Developed a strategic plan designed to deliver growth through partnership
- Transformed the operational structure and policies to support future growth whilst improving service quality
- Improved the cost-effectiveness of the service
- Commenced a 'value for money' and efficiency review across all services
- Maintained average utilisation levels of 97.5% in the accommodation based services
- Exceeded 100% utilisation levels in our floating support services
- Supported 217 new service users

We now have a platform to grow and develop in a market which is becoming increasingly competitive

Review of Activities

The Charity is committed to enabling its clients to live independently through developing the number and quality of services it provides and the application of best practice and continuous improvement throughout the organisation

Specific activities in supporting the above have included

- The development of strategic partnerships with Supporting People Commissioners, Housing Strategy Departments and other Statutory Services. Such partnerships ensure that we can influence and respond to locally identified strategies for planning, shaping and delivering services
- Development of our work 'on the ground' in partnership with other agencies such as Princes Trust, Connexions and Healthy Living Agencies, to add value and attract supplementary funding to support our work in providing a holistic service for individual service users
- Extension of the use of charitable reserves to fund educational and training opportunities for service users and to provide resettlement grants where needed, including tenancy start-up packs comprising fuel tokens and food and grocery provisions
- A review of the core training needs of staff to ensure we have a well trained and experienced staff team to deliver our work

THE STEPPING STONE PROJECT (ROCHDALE)

Report of the Directors for the year ended 31 March 2007 (*continued*)

PLANS FOR THE FUTURE

With the operational restructuring completed by December 2006, the Charity is in a much more robust position to deal with on going contract reviews at Rochdale and Lancashire. In Rochdale, these reviews encompass both floating support and accommodation-based services. It is anticipated these reviews will conclude by the end of 2007. Lancashire County Council is moving to a countywide service and is re-tendering for the entire range of floating support services. The Charity has formed a consortium partnership with a Housing Association to re-apply.

The continued focus on contract reviews and funding constraints in Supporting People will require the Charity to implement a process of continuous improvement and ensure that its cost base supports a value for money service. As part of its strategic plan the Charity intends to continue exploring partnership working to strengthen its opportunities for growth and winning new business existing and new service areas.

Quality of service to its customers is an important objective and in this area further work will continue in developing innovative ways to ensure that there is customer and resident influence over the services provided.

FINANCIAL REVIEW

Total incoming resources in the year to March 2007 were £1,611,737 (2006-£1,633,083)

In the year to March 2007 the Charity made a surplus of £123,875 compared with a surplus of £148,093 in the previous year.

Direct charitable expenditure accounted for 96% (2006 - 97%) and governance costs, including those costs associated with meeting the constitutional and statutory requirements of the charity such as the audit fees and costs linked to the Strategic Management of the charity, accounted for 4% (2006 -3%) of total expenditure.

Principle funding sources

The principle funding sources for the Charity are supporting people income from Rochdale Local Authority, Lancashire County Council and Bury Local Authority.

The charity also receives rental income from tenants.

Reserves Policy

The Council of Management has reviewed its policy on minimum reserve levels, which are the free reserves of the Charity, earned from previous operations. They are of the opinion that they should continue to be maintained at a level approximating to four months budgeted expenditure in the next financial year.

The Council of Management is satisfied that this level of reserve will give the Charity sufficient flexibility to cover temporary interruptions in income flow and provide an adequate level of working capital, particularly due to the level of uncertainty surrounding Supporting People funding.

This policy will continue to be reviewed annually.

Financial risk management objectives and policies

The company makes little use of financial instruments other than operational bank accounts and so its exposure to price risk, credit risk, liquidity risk and cash flow risk is not material for the assessment of the assets, liabilities, financial position and net movement of funds of the company.

THE STEPPING STONE PROJECT (ROCHDALE)

Report of the Directors for the year ended 31 March 2007 (continued)

Directors' responsibilities

Under company law the council members have the same legal responsibilities as company directors and the title is interchangeable

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the surplus or deficit of the company for that period. In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent, and,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in operation

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

In so far as the directors are aware

- there is no relevant audit information of which the company's auditors are unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information

Auditors

Tenon Audit Limited has expressed their willingness to continue in office and being eligible, offer themselves for re-appointment

By order of the Council of Management



Mr T Blanchon
Director

28 September 2007

THE STEPPING STONE PROJECT (ROCHDALE)

Independent auditors' report

To the Members of The Stepping Stone Project (Rochdale)

We have audited the financial statements of The Stepping Stone Project (Rochdale) for the year ended 31 March 2007 on pages 8 to 16. These financial statements have been prepared under the accounting policies set out on pages 10 and 11.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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.

Respective responsibilities of the Council of Management and auditors

As described in the Statement of Directors responsibilities, the Council of Management are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read other information contained in the Directors Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

THE STEPPING STONE PROJECT (ROCHDALE)

Independent auditors' report (*continued*)

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the company as at 31 March 2007 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended,
- have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

Tenon Audit Limited

Tenon Audit Limited
Registered Auditors

Lewis House
12 Smith Street
Rochdale
Lancashire
OL16 1TX

28 September 2007

THE STEPPING STONE PROJECT (ROCHDALE)

Statement of Financial Activities (including Income and Expenditure Account) for the year ended 31 March 2007

	Note	Total funds 2007 £	Total funds 2006 £
Incoming resources			
Incoming resources from Charitable activities			
Grants and contracts	2	1,265,245	1,339,035
Rents receivable	2	317,443	261,465
Incoming resources from generated funds			
Investment income	2	29,049	32,583
Total incoming resources		1,611,737	1,633,083
Resources expended			
Charitable activities	3	1,421,965	1,446,629
Governance costs	3	65,897	38,361
Total resources expended		1,487,862	1,484,990
Net movement in funds		123,875	148,093
Fund balances brought forward at 1 April 2006		734,141	586,148
Fund balances carried forward at 31 March 2007		858,016	734,141

All amounts relate to continuing activities

All recognised gains and losses are included in the statement of financial activities

All the above represent Unrestricted Funds

The notes on pages 10 to 15 form part of these financial statements

THE STEPPING STONE PROJECT (ROCHDALE)

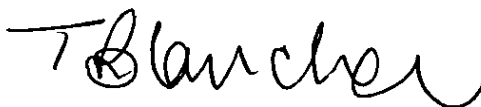
Balance sheet at 31 March 2007

	Note	2007	2006
		£	£
Fixed assets			
Tangible assets	7	67,484	97,583
Current assets			
Debtors	8	40,304	35,672
Cash at bank and in hand		908,090	836,165
		<u>948,394</u>	<u>871,837</u>
Creditors amounts falling due within one year	9	<u>(157,862)</u>	<u>(235,279)</u>
Net current assets		<u>790,532</u>	<u>636,558</u>
Net assets		<u>858,016</u>	<u>734,141</u>
Funded by			
Unrestricted funds		<u>858,016</u>	<u>734,141</u>

The financial statements on pages 8 to 15 were approved by the Council of Management on 28 September 2007



Ms S Sharratt
Directors



Mr T Blanchard

The notes on pages 10 to 15 form part of these financial statements

THE STEPPING STONE PROJECT (ROCHDALE)

Notes forming part of the financial statements for the year ended 31 March 2007

1 Accounting policies

Basis of preparation

The financial statements have been prepared under the historic cost convention. The financial statements have been prepared in accordance with the Statement of Recommended Practice - Accounting and Reporting Charities (SORP 2005) issued in March 2005, applicable UK Accounting Standards and the Companies Act 1985. The principal accounting policies adopted in the preparation of the financial statements are set out below.

Cash flow

The accounts do not include a cash flow statement because the company, as a small reporting entity, is exempt from the requirement to prepare such a statement under Financial Reporting Standard 1 'Cash flow statements'.

Incoming resources

Income from charitable activities includes income received under contract or where entitlement to grant funding is subject to specific performance conditions is recognised as earned (as the related services are provided). Grant income included in this category provides funding to support activities and is recognised where there is entitlement, certainty of receipt and the amount can be measured with sufficient reliability.

Investment income is recognised on a receivable basis.

Rent is recognised on a receivable basis.

Fund accounting

Incoming resources are allocated to the projects as appropriate. Unrestricted general funds can be used in accordance with the charitable objects at the discretion of the council of management. Restricted funds can only be used for particular restricted purposes within the objects of the charity. Restrictions arise when specified by the donor or when funds are raised for particular restricted purposes.

Resources expended

The accounts include expenditure on an accruals basis and allocated as follows:

- Charitable expenditure comprises those costs incurred by the charity in the delivery of its activities and services for its beneficiaries. It includes both those costs that can be allocated directly to such activities and those costs of an indirect nature necessary to support them.
- Expenditure is allocated between the restricted and unrestricted projects/funds, in accordance with contractual obligations or as the council of management considers appropriate.
- Governance costs include those costs associated with meeting the constitutional and statutory requirements of the charity and include the audit fees and costs linked to the Strategic Management of the charity.
- Support costs include central functions and have been allocated to charitable activities on a basis consistent with the use of resources eg Staff costs by time spent.

THE STEPPING STONE PROJECT (ROCHDALE)

Notes forming part of the financial statements for the year ended 31 March 2007

1 Accounting policies (*continued*)

Tangible fixed assets and depreciation

Tangible fixed assets are included at cost less provision for depreciation

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life

Fixtures, fittings and sundry equipment	- 25%
Office furniture and equipment	- 25%
Improvements to rented premises	- 20 - 25%
Computer equipment	- 50%

Fixed asset additions with a cost of less than £2,000 (2006 - £1,000) are treated as expenditure in the year

Taxation

The company is a registered charity and as such is entitled to the exemption from tax to the extent that the income falls within section 505 ICTA 1988 and section 256 CGTA 1992 and is applied to charitable purposes only

Operating leases

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against income over the lease term

Pensions

Contributions in respect of the company's defined contribution pension schemes are charged in the year in which they are payable to the scheme

2 Incoming resources

	Total 2007 £	Total 2006 £
Grants received regarding accommodation and support	1,265,245	1,339,035
Rent receivable	317,443	261,465
Bank interest receivable	29,049	32,583
	<u>1,611,737</u>	<u>1,633,083</u>

THE STEPPING STONE PROJECT (ROCHDALE)

Notes forming part of the financial statements for the year ended 31 March 2007 (Continued)

3	Total Resources expended	Basis of allocation	Accommodation and support £	Governance £	Total 2007 £	Total 2006 £
	Costs directly allocated to activities					
	Housing costs	Direct	475,775	-	475,775	423,320
	Housing management services	Direct	708,482	-	708,482	820,607
	Travel and training	Direct	26,707	-	26,707	24,793
	Office costs	Direct	69,174	-	69,174	35,197
	Recruitment	Direct	3,884	-	3,884	5,307
	Bad debts	Direct	10,000	-	10,000	-
	Audit	Usage	-	8,292	8,292	7,050
	Accountancy	Usage	-	4,766	4,766	4,051
			<u>1,294,022</u>	<u>13,058</u>	<u>1,307,080</u>	<u>1,320,325</u>
	Support costs allocated to activities					
	Staff costs	Staff time	87,904	14,532	102,436	102,555
	Office costs	Usage	27,062	6,106	33,168	44,877
	Legal and professional	Usage	12,629	2,284	14,913	12,320
	Bank charges and interest	Usage	41	8	49	14
	Depreciation	Usage	307	62	369	4,899
	Exceptional costs		-	29,847	29,847	-
			<u>127,943</u>	<u>52,839</u>	<u>173,830</u>	<u>164,665</u>
	Total resources expended		<u>1,421,965</u>	<u>65,897</u>	<u>1,487,862</u>	<u>1,484,990</u>

4	Net incoming resources for the year	2007 £	2006 £
	This is stated after charging		
	Depreciation	36,306	46,919
	Auditors remuneration	8,292	7,050
	Operating lease rentals		
	- Land and buildings	<u>164,086</u>	<u>161,586</u>

THE STEPPING STONE PROJECT (ROCHDALE)

Notes forming part of the financial statements for the year ended 31 March 2007 (Continued)

5	Staff costs and numbers	2007 £	2006 £
	Staff costs - employees		
	Wages and salaries	714,808	811,932
	Social security costs	54,059	75,748
	Pension, health and life assurance costs	28,668	34,888
	Total	<u>797,534</u>	<u>922,568</u>

No employee earned £60,000 per annum or more (2006 - £Nil)

The average number of employees, analysed by function, was

	2007 No	2006 No
Direct charitable	23	29
Governance	6	6
	<u>29</u>	<u>35</u>

6 Trustee remuneration and related party transactions

None of the directors (council of management) received any remuneration from the charity (2006 - £Nil)

No trustee or other person related to the charity had any personal interest in any contract or transaction entered into by the charity during the year (2006 - £Nil)

THE STEPPING STONE PROJECT (ROCHDALE)

Notes forming part of the financial statements for the year ended 31 March 2007 (Continued)

7	Tangible fixed assets	Computer equipment	Furniture fittings and sundry equipment	Office furniture and equipment	Improve- ments to rented premises	Total
		£	£	£	£	£
	<i>Cost</i>					
	At 1 April 2006	61,860	184,915	80,656	124,315	451,746
	Additions	-	5,815	392	-	6,207
	At 31 March 2007	61,860	190,730	81,048	124,315	457,953
	<i>Depreciation</i>					
	At 1 April 2006	60,857	158,687	76,300	58,319	354,163
	Charge for the year	1,003	8,554	1,501	25,248	36,306
	At 31 March 2007	61,860	167,241	77,801	83,567	390,469
	<i>Net book value</i>					
	At 31 March 2007	-	23,489	3,247	40,748	67,484
	At 31 March 2006	1,003	26,228	4,356	65,996	97,583
8	Debtors				2007 £	2006 £
	Rents receivable				15,756	12,255
	Prepayments and accrued income				24,347	23,417
	Other debtors				201	-
					40,304	35,672
9	Creditors amounts falling due within one year				2007 £	2006 £
	Trade creditors				30,267	107,177
	Taxation and social security				14,759	17,440
	Other creditors				25,717	28,223
	Accruals and deferred income				87,119	82,439
					157,862	235,279

THE STEPPING STONE PROJECT (ROCHDALE)

Notes forming part of the financial statements for the year ended 31 March 2007 (*Continued*)

10 Contingent liabilities

There are no contingent liabilities of a material amount for which provision has not been made in the financial statements

11 Commitments

Capital commitments

There were no capital commitments at 31 March 2007 (2006 - £Nil)

Pension commitments

The company operates defined contribution pension schemes on behalf of certain employees. The assets of the schemes are held separately from those of the company in an independently administered fund. The annual commitment under this scheme is for contributions of £25,605 (2006 - £34,888)

Operating lease commitments

The company rents its head office accommodation at a cost of £12,500 per annum (2006 - £9,471), under a two year lease expiring on 2 April 2009

The company also has commitments under management agreements of up to three years duration with Housing Associations for the use of properties. The annual charge for management and occupancy costs in the year ended 31 March 2007 amounted to £152,586 (2006 - £152,115)