

COMPASS - SERVICES TO TACKLE PROBLEM DRUG USE
(A company limited by guarantee)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

COMPASS - SERVICES TO TACKLE PROBLEM DRUG USE
(A company limited by guarantee)

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COMPASS - SERVICES TO TACKLE PROBLEM DRUG USE

(A company limited by guarantee)

REFERENCE AND ADMINISTRATIVE DETAILS OF THE CHARITY, ITS DIRECTORS AND ADVISERS
FOR THE YEAR ENDED 31 MARCH 2016

Directors

S Hamer OBE, Chief Executive
R V Bundock, Executive director
M E Roberts, Executive director
F R Shaw, Executive director (resigned 24 June 2015)
P Webster, Non-executive director (appointed 27 May 2016)
C E Wesley, Non-executive director
C Wood, Non-executive director
F R Yeomans, Non-executive director (resigned 21 September 2015)
J Dean, Non-executive director (resigned 21 September 2015)
D Webster, Non-executive director
A J Begg, Non-executive director
A J Biddle, Non-executive director
R B Clark, Non-executive director

Company registered number

2054594

Charity registered number

518048

Registered office

Langton House, 5 Priory Street, York, YO1 6ET

Company secretary

M E Roberts

Chief executive

S Hamer OBE

Independent auditors

BHP, Chartered Accountants, Bathurst House, 86 Micklegate, York, YO1 6LQ

Bankers

The Royal Bank of Scotland, 6 Nessgate, York, YO1 1FY

Solicitors

Nabarro, 1 South Quays, Victoria Quays, Sheffield, S2 5SY

COMPASS - SERVICES TO TACKLE PROBLEM DRUG USE
(A company limited by guarantee)

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2016

The Board of Directors present their annual report together with the audited financial statements of Compass - Services To Tackle Problem Drug Use (the company) for the year ended 31 March 2016. The directors confirm that the Annual report and financial statements of the company comply with the current statutory requirements, the requirements of the company's governing document and the provisions of the Statement of Recommended Practice (SORP), applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015).

Objectives and Activities

a. Policies and objectives

The company was established in 1986, for the public benefit, to meet the following objectives:

- (i) the relief of individuals, families and communities from the health, social and economic problems and crime that attend substance misuse
- (ii) the prevention or reduction of the crime that attends substance misuse by providing services to substance misusers that enable them to become drug-free and therefore reduces their need to commit crimes to buy illicit substances
- (iii) the support of individuals who misuse substances or who are at risk of misusing substances to achieve stable and productive lives that are free from substance misuse through the delivery of services at all stages of the journey to abstinence
- (iv) the advancement of the education of persons working in or generally concerned in the field of drug and alcohol services and of the public generally in problems resulting from substance misuse

During the year a further object was agreed and the Articles of Association were appropriately amended as follows:

To promote the health and well-being of children, young people and adults by such exclusively charitable means as the trustees shall from time to time determine.

The Directors review the performance, aims and objectives of the company every year. In carrying out the review, the Board of Directors refer to the Charity Commission's guidance on public benefit to ensure that all future and planned activities meet that guidance.

b. Activities for achieving objectives

Compass service range spans the recovery process, identification of risky behaviours and universal services in our School Health and Well-being service. Our services have a wide geographical spread with services based in Yorkshire, the Midlands and London and cover individuals from the age of 5 years and upwards.

COMPASS - SERVICES TO TACKLE PROBLEM DRUG USE

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DIRECTORS' REPORT (continued) **FOR THE YEAR ENDED 31 MARCH 2016**

Strategic Report

a. Strategy 2012 to 2016

Compass achieved the objectives set out in our 2012 to 2016 Strategic Plan to:

- Build capacity and improve performance
- Develop the Compass Brand
- Strengthen the clinical management systems
- Achieve a stronger financial position
- Improve the effectiveness of corporate governance

Compass continued the reshaping of its contract base with the addition of a contract to supply school nursing services in Warwickshire. This service was the first step into a universal service and Compass has been able to demonstrate that the processes and thinking that it had developed in its successful targeted services can be transferred into new sectors. This move has strengthened the Directors' belief in Compass' ability to deliver services that meet the needs of the communities it serves across a diverse population.

The Directors further strengthened the company's quality framework with the appointment of an Assistant Director to lead a dedicated Quality Assurance Team.

Compass successfully implemented its new contracts in North Yorkshire, Milton Keynes and Warwickshire. These contracts are starting to deliver improvements in the service offered and are well thought of by both the users and commissioners of the services.

b. Future developments - Strategy 2016 to 2020

The Directors have formulated a new strategy to transform health and social care. The strategy has been formed in light of anticipated reductions to the investment in public services made by central and local government, which will hit the health and social care market hard, forcing local commissioners into some difficult choices. Under such circumstances organisations that will do well will be those, such as Compass, that are capable of using their delivery expertise to assist commissioners find creative solutions to local problems and make efficient use of diminishing resources.

The ambition for Compass is to be recognised widely for its

- Innovation, with a strong focus on ground-up development that faithfully articulates the end user experience in inventive and effective responses to multiple needs and makes creative and efficient use of diminishing investment
- Delivery of consistently safe, effective and high impact models of care that are replicable in any circumstance

Over the life of the strategy Compass will strengthen further its financial position through the acquisition of new business. This growth will be in a manageable way, ensuring quality, innovation and high levels of performance in order to enhance Compass' long-term sustainability. Whilst Compass will refine its ability to respond to commissioner led initiatives the concentration of efforts will be on developing capacity to innovate from the ground up, harnessing the expertise within Compass to assist commissioners develop a broader health and social care response to the wide ranging needs of local communities.

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DIRECTORS' REPORT (continued)

FOR THE YEAR ENDED 31 MARCH 2016

The transformation of health and well-being will be by the creation of the Compass Health and Well-being Model through a series of actions in the areas of corporate governance, workforce development, service and business development, and clinical governance.

These actions will include:

- Review the Board of Directors' structures, working practices and relationships
- Develop the Compass Health & Well-being Model
- Review the staff training programme and systems for experiential learning
- Define its existing and new service products within the Health and Well-being Model
- Identify and engage NHS and third sector partners to develop and deliver core integrated services
- Establish a Quality Assurance Team
- Establish core delivery standards for models

c. Risks to strategy

Clear milestones have been set for all elements required to meet the objectives and these are regularly reviewed by both the Senior Management Team and the Board of Directors. Necessary adjustments are made to priorities and resources to ensure the overall plan is delivered.

d. Review of activities

In 2015/2016 Compass made good progress in achieving its long term objectives whilst at the same time ensuring that it continued to deliver high quality services throughout its contract base. Compass services provided health and social care to over 12,500 adults and young people, many with enduring and complex needs, with over 75 percent leaving its care having completed their care programmes and able to move forward with their lives. A key achievement was the rebuilding of the newly acquired Milton Keynes adult substance misuse service, which has now been re-focused so that it offers help to people with the most complex and difficult to manage needs. The service ensures that the nature and length of their care programme is matched to their circumstances rather than concentrated solely on the achievement of contract targets.

The Directors are also extremely proud of the achievements of the company's Children and Young People's Services, which have continued to develop creative responses to young people with multiple vulnerabilities in increasing numbers and to great effect. Prime examples of the company's unique approach to care are REACH in North Yorkshire and the Coventry Early Interventions Service, both breaking new ground in their pioneering models to tackle the wider range of risks that young people are exposed to. These services are rapidly building excellent reputations for the quality of their work and the effectiveness of their local partnerships.

e. Investment policy

The Directors have the power to invest in such assets as they consider appropriate. The company has a policy of keeping any surplus liquid funds in short-term deposits which can be readily accessed. Investments in property are permitted if the purchase of a property is for the use of furthering the organisation's activities.

COMPASS - SERVICES TO TACKLE PROBLEM DRUG USE

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DIRECTORS' REPORT (continued) **FOR THE YEAR ENDED 31 MARCH 2016**

Financial review

a. Going concern

The Directors are of the opinion that Compass is a going concern on the basis of the level of its reserves and the level of income which will be delivered in the next two years via contracts currently secured.

b. Financial review

Income during the year increased by £148,292 from £7,444,119 to £7,592,411. This increase has arisen as a result of new contracts in the young people's sector, notably the gain of the Warwickshire School Health and Well Being Service, being offset by the planned withdrawal from the prison sector and the loss of the Harrow adult contract.

Expenditure during the year increased by £420,456 from £7,149,467 to £7,569,923. This increase was primarily as a result of high start up costs for the Warwickshire School Health and Well Being Service including redundancy costs all of which were built into the contract and the cost of strengthening quality assurance by the appointment of a lead nurse.

Net income on operational activity before the exceptional item reduced by £272,164 to £22,488. This reduction came about for two principal reasons:

- A decrease in contract income in the current year due to a rollover of a 2015 specific contract
- Increased expenditure in developing quality assurance resources

The exceptional amount shown in the SOFA is a net charge arising from the treatment of the previous year's contract income not being fully utilised.

c. Reserves policy

The Directors recognise the need to have reserves in place to ensure the sustainability of the organisation in the event of the loss of a major contract. The Directors are also aware of the need to balance the levels of free reserves with the need to maximise the service delivered to our current beneficiaries.

The free reserves at 31 March 2016 have risen to £1,807,496. This increase is mainly due to the disposal of service centres previously owned by the company.

The free reserves is now greater than the targeted range of £0.9 to £1.2 million but it is felt that the current level will be necessary to support the forward business strategy of contract growth.

d. Principal funding

The principal funding source for the company is contractual income from Local Authorities, Drug Action Teams and Clinical Care Commissioners.

COMPASS - SERVICES TO TACKLE PROBLEM DRUG USE
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DIRECTORS' REPORT (continued)
FOR THE YEAR ENDED 31 MARCH 2016

Structure, governance and management

a. Constitution

The charity is constituted as a company limited by guarantee and governed by its Articles of Association which set out a Unitary Board arrangement whereby Executive Directors share with Non-Executive Directors full responsibility under law for managing the affairs of the company..

During the year the Board reviewed Compass' position in the market and how it could best serve its stakeholders. The Board concluded that Compass makes a uniquely important contribution in the fields of health and social care and with its strong Board, robust financial position and clear strategy was well placed to deliver value to beneficiaries despite pressures on funding driven by reductions in public sector investment in the sector.

b. Recruitment and appointment of Directors

The Directors of the company are also charity trustees for the purposes of charity law and under the company's Articles are known collectively as the Board of Directors. Directors are elected to the Board either to fill a vacancy or to add to the number of Board members, up to a maximum of sixteen. The Articles provide that of the total number of Directors, no less than two thirds should be Non-Executive Directors. The Non-Executive Directors will hold office for a term of three years and will be able to put themselves forward to be elected for a further three year term. The Chief Executive and Director of Finance are Executive Directors by virtue of office and any other Executive Directors, subject to a maximum of one third of total Board membership, are elected by the Board. The Chair of the Board is elected by the Non-Executive Directors. In September 2015 Janet Dean resigned as both Chair of the Board and Non-Executive Director. The Vice-Chair, Claire Wesley, acted as interim chair until March 2016 when she was elected to the role.

Non-Executive Directors have been recruited through advertising in local and national media, through a consultant led headhunting campaign, and through the use of professional and personal networks.

During the year a skills audit was performed of the Non-Executive Directors to identify the areas of expertise that were either lacking or needed further strengthening. It was concluded that the Board had a wide range of experience in related areas of activity including local government, law and criminal justice, human resources, finance, health and education and had a well balanced skills mix covering all major management areas. A gap was identified in that the Board did not contain anyone with experience of using the type of services offered by Compass.

The Board embarked towards the year end on a process to recruit additional Non-Executive Directors to ensure that they are not exposed to excessive demands on their time.

On completion of the recruitment it is intended to review the Unitary Board structure, to evaluate how well it is working and to define what would make it work better, not just from a structural perspective but also in terms of culture, behaviour, communication and engagement. This review may be facilitated by an external organisation.

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DIRECTORS' REPORT (continued) **FOR THE YEAR ENDED 31 MARCH 2016**

c. Non-Executive Director induction and training

All new Non-Executive Directors are given a starter information pack and meet with the Chief Executive and Chair and are briefed on the history of the organisation, its current strategy and future developments in the context of the national drug strategy and the wider issues of social policy.

Directors regularly visit service sites, where practice issues and organisational development are discussed by staff. Directors and the Senior Management team meet at least annually separate from standard meetings to focus on a review of the company's core vision, its values and its performance. The Non-Executive Directors training schedule covers core components such as the Role of a Director and Trustee, Health and Safety, Safeguarding Children and Equal Opportunities, as well as specific individual development needs.

d. Organisational structure

The Board of Directors meets regularly and is responsible for the strategic direction and policy of the company. At present the Board of Directors has ten members, three of whom are Executive Directors. The seven Non-Executive Directors are drawn from a variety of professional backgrounds relevant to the work of the company.

A scheme of delegation is in place and day to day responsibility for the administration of the company and the delivery of the services rests with the Chief Executive and the Senior Management Team.

e. Risk management

The Board of Directors has conducted a review of the major risks to which the company is exposed and where appropriate, systems or procedures have been established to mitigate such risks .

The principle risks to which Compass is exposed to are legal /compliance and financial risks.

The legal/compliance risks are that: Compass may not conform and/or is unable to demonstrate conformity to the legal and regulatory requirements applicable. These risks are mitigated by close scrutiny of activities by both the Clinical Governance and Audit and Risk Committees. Together with the work of a Quality Assurance Team which carries out the independent monitoring and audit of operational practice.

The financial risks are that: Compass has insufficient resources to cover the costs required to meet its obligations to service commissioners and clients. These risks are mitigated by the setting and reporting against an annual budget, with any variances being scrutinised by the Audit and Risk Committee. A strategy is also in place where the contract base is reviewed and potential risks and opportunities identified, taking into account current market conditions and any intelligence on future developments.

The risk register addresses the major financial and business risks to which the company is exposed.

Internal risks are minimised by the implementation of procedures for authorisation of all transactions and projects and to ensure consistent quality of delivery for all operational aspects of the company. These procedures are reviewed annually to ensure that they still meet the needs of the company.

COMPASS - SERVICES TO TACKLE PROBLEM DRUG USE

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DIRECTORS' REPORT (continued) FOR THE YEAR ENDED 31 MARCH 2016

The Board of Directors receives regular reports on compliance with the regulatory and statutory frameworks, for example those in respect of the health and safety of staff, clients and visitors. A consistent quality of delivery in all operational aspects of the company is ensured by complying with the following:

- Health and Social Care Act 2012
- CQC Essential Standards
- NICE Guidance
- The NHS Seven Standards for Better Health
- The Chief Medical Officer's Guidance on the Clinical Management of Drug Dependency

f. Key management pay and remuneration

The pay of Executive Directors is set by the Remuneration Committee, which is made up solely of Non Executive Directors. Remuneration is based on scale points relevant to a particular role, which is determined by a benchmarking exercise. A new benchmarking exercise is being undertaken, the results of which will be used when considering remuneration in the future. Other key management pay is set by the Chief Executive and is based on similar benchmarking information.

Disclosure of information to auditors

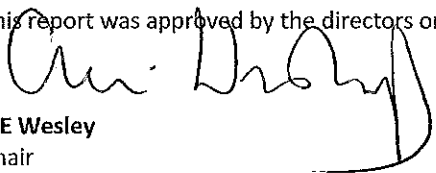
Each of the persons who are Directors at the time when this Directors' report is approved has confirmed that:

- so far as that Director is aware, there is no relevant audit information of which the charitable company's auditors are unaware, and
- that Director has taken all the steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the charitable company's auditors are aware of that information.

Auditors

The auditors, BHP, Chartered Accountants, have indicated their willingness to continue in office. The Directors reappointed the auditors at a meeting of the Board on 29 July 2016.

This report was approved by the directors on 29 July 2016 and signed on their behalf by:


C E Wesley
Chair

COMPASS - SERVICES TO TACKLE PROBLEM DRUG USE

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DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 MARCH 2016

The Directors (who are also trustees of Compass - Services To Tackle Problem Drug Use for the purposes of charity law) are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the Directors to prepare financial statements for each financial year. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charitable company and of the incoming resources and application of resources, including the income and expenditure, of the charitable company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently
- observe the methods and principles of the Charities SORP
- make judgments and accounting estimates that are reasonable and prudent
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in operation

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

COMPASS - SERVICES TO TACKLE PROBLEM DRUG USE

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF COMPASS - SERVICES TO TACKLE PROBLEM DRUG USE

We have audited the financial statements of Compass - Services to Tackle Problem Drug Use for the year ended 31 March 2016 set out on pages 12 to 28. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditors

As explained more fully in the Directors' responsibilities statement, the directors (who are also the trustees of the charity for the purposes of charity law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 March 2016 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' report, incorporating the Strategic report, for the financial year for which the financial statements are prepared is consistent with the financial statements.

COMPASS - SERVICES TO TACKLE PROBLEM DRUG USE
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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF COMPASS - SERVICES TO TACKLE PROBLEM DRUG USE

Matters on which we are required to report by exception

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

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



Jane Marshall (Senior statutory auditor)

for and on behalf of

BHP, Chartered Accountants

Chartered Accountants
Statutory Auditors

Bathurst House
86 Micklegate
York
YO1 6LQ
12 August 2016

COMPASS - SERVICES TO TACKLE PROBLEM DRUG USE

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED 31 MARCH 2016

		Unrestricted funds 2016 £	Restricted funds 2016 £	Total funds 2016 £	As restated Total funds 2015 £
	Note				
Income from:					
Donations and legacies	2	1,350	-	1,350	999
Investments	3	11,527	-	11,527	10,074
Charitable activities	4	-	7,565,436	7,565,436	7,417,256
Other income	5	14,098	-	14,098	15,790
Total income		26,975	7,565,436	7,592,411	7,444,119
Expenditure on:					
Charitable activities:					
Other charitable activities	6	-	7,532,172	7,532,172	7,115,125
Governance	8	37,751	-	37,751	34,342
Total expenditure	9	37,751	7,532,172	7,569,923	7,149,467
Net income / (expenditure) before transfers		(10,776)	33,264	22,488	294,652
Transfers between funds	17	33,264	(33,264)	-	-
Net operating income/expenditure		22,488	-	22,488	294,652
Exceptional item: adjustment for income contract retention		-	(81,830)	(81,830)	-
Net income / (expenditure) before other gains and losses		22,488	(81,830)	(59,342)	294,652
Losses on revaluations of fixed assets		-	-	-	(24,280)
Net movement in funds		22,488	(81,830)	(59,342)	270,372
Reconciliation of funds:					
Total funds at 1 April 2015		1,879,162	220,783	2,099,945	1,829,573
Total funds at 31 March 2016		1,901,650	138,953	2,040,603	2,099,945

All activities relate to continuing operations. The notes on pages 15 to 28 form part of these financial statements.

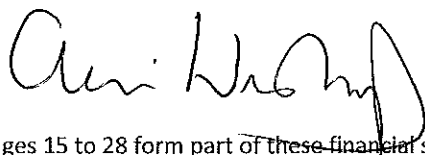
COMPASS - SERVICES TO TACKLE PROBLEM DRUG USE**(A company limited by guarantee)****REGISTERED NUMBER: 2054594**

BALANCE SHEET**AS AT 31 MARCH 2016**

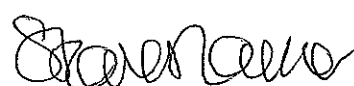
			2016	2015
	Note	£	£	As restated £
Fixed assets				
Tangible assets	14		259,154	626,868
Current assets				
Debtors	15	720,493		168,315
Cash at bank and in hand		2,103,702		2,097,583
		<u>2,824,195</u>		<u>2,265,898</u>
Creditors: amounts falling due within one year	16	<u>(1,042,746)</u>		<u>(792,821)</u>
Net current assets			<u>1,781,449</u>	<u>1,473,077</u>
Net assets			<u><u>2,040,603</u></u>	<u><u>2,099,945</u></u>
Charity Funds				
Restricted funds	17		138,953	220,783
Unrestricted funds (including revaluation reserve of £Nil (2015: £113,000))	17		<u>1,901,650</u>	<u>1,879,162</u>
Total Charity funds			<u><u>2,040,603</u></u>	<u><u>2,099,945</u></u>

The financial statements were approved by the directors on 29 July 2016 and signed on their behalf, by:

C E Wesley
Chair



S Hamer OBE
Chief Executive



The notes on pages 15 to 28 form part of these financial statements.

COMPASS - SERVICES TO TACKLE PROBLEM DRUG USE
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CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2016

	Note	2016 £	2015 As restated £
Cash flows from operating activities			
Net cash (used in)/provided by operating activities	19	(354,044)	715,371
Cash flows from investing activities:			
Bank interest		11,527	10,074
Proceeds from the sale of property		421,346	-
Purchase of fixtures and fittings		(72,710)	(52,700)
Net cash provided by/(used in) investing activities		360,163	(42,626)
Change in cash and cash equivalents in the year		6,119	672,745
Cash and cash equivalents brought forward		2,097,583	1,424,838
Cash and cash equivalents carried forward	20	2,103,702	2,097,583

COMPASS - SERVICES TO TACKLE PROBLEM DRUG USE
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016

1. Accounting policies

1.1 Basis of preparation of financial statements

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015) - (Charities SORP (FRS 102)), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006

Compass - Services to Tackle Problem Drug Use meets the definition of a public benefit entity under FRS 102. Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy.

1.2 Reconciliation with previous Generally Accepted Accounting Practice

In preparing these accounts, the Directors have considered whether in applying the accounting policies required by FRS 102 and the Charities SORP FRS 102 the restatement of comparative items was required.

At the date of transition in applying the requirement to recognise liabilities arising from employee benefits, a liability was recognised for short-term compensated absence arising from employee entitlement of the company to paid annual leave. The initial liability recognised at the date of transition was for the holiday entitlement carried forward and the entitlement arising in the year which was due but not taken. The initial liability was for £18,401. No other restatements were required.

In accordance with FRS 102, a reconciliation of opening balances is provided here:

	01 April 2014	31 March 2015
	£	£
<i>Reconciliation of funds and balances</i>		
Fund balances as previously stated	1,847,974	2,131,547
Short-term compensated absences	(18,401)	(31,602)
Fund balances as restated	<u>1,829,573</u>	<u>2,099,945</u>

1.3 Company status

The company is a company limited by guarantee. The members of the company are the Directors named on page 1. In the event of the company being wound up, the liability in respect of the guarantee is limited to £1 per member of the company.

COMPASS - SERVICES TO TACKLE PROBLEM DRUG USE

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

1. Accounting policies (continued)

1.4 Fund accounting

General funds are unrestricted funds which are available for use at the discretion of the Directors in furtherance of the general objectives of the company and which have not been designated for other purposes.

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by commissioners of contracts or which have been raised by the company for particular purposes. The costs of raising and administering such funds are charged against the specific fund. The aim and use of each restricted fund is set out in the notes to the financial statements.

1.5 Income

All income is recognised once the company has entitlement to the income, it is probable that the income will be received and the amount of income receivable can be measured reliably.

Donated services or facilities are recognised when the company has control over the item, any conditions associated with the donated item have been met, the receipt of economic benefit from the use of the company of the item is probable and that economic benefit can be measured reliably.

On receipt, donated professional services and donated facilities are recognised on the basis of the value of the gift to the company which is the amount the company would have been willing to pay to obtain services or facilities of equivalent economic benefit on the open market; a corresponding amount is then recognised in expenditure in the period of receipt.

Income tax recoverable in relation to donations received under Gift Aid or deeds of covenant is recognised at the time of the donation.

Grants and contracts income due for the year have been included in full and have been allocated as restricted income where appropriate.

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1. Accounting policies (continued)

1.6 Expenditure

Expenditure is recognised once there is a legal or constructive obligation to make payment to a third party, it is probable that settlement will be required and the amount of the obligation can be measured reliably.

All expenditure is accounted for on an accruals basis. All expenses including support costs and governance costs are allocated to the applicable expenditure headings.

Support costs are those costs incurred directly in support of expenditure on the objects of the company and include project management carried out at Head Office. Governance costs are those incurred in connection with administration of the company and compliance with constitutional and statutory requirements.

Irrecoverable VAT is charged against the expenditure heading for which it was incurred.

1.7 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost or valuation less depreciation. Depreciation is provided at rates calculated to write off the cost or valuation of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Freehold property	-	4% straight line
Computer Equipment and Fixtures & Fittings	-	33.33% straight line

1.8 Revaluation of tangible fixed assets

The company has adopted the historic cost model whereby items of property, fixtures and fittings are measured at cost less any accumulated depreciation and any accumulated impairment losses.

1.9 Interest receivable

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

1.10 Operating leases

Rentals under operating leases are charged to the Statement of Financial Activities on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate.

NOTES TO THE FINANCIAL STATEMENTS
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1. Accounting policies (continued)

1.11 Debtors

Trade and other debtors are recognised at the settlement amount after any trade discount offered. Prepayments are valued at the amount repaid net of any trade discounts due.

1.12 Cash at Bank and in hand

Cash at bank and in hand includes cash and short term highly liquid investments with a short maturity of three months or less from the date of acquisition or opening of the deposit or similar account.

1.13 Creditors and provisions

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

1.14 Financial instruments

The company only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value with the exception of bank loans which are subsequently measured at amortised cost using the effective interest method.

1.15 Pensions

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year in accordance with section 28 of FRS 102.

1.16 Employee Benefits

When employees have rendered service to the company, short-term employee benefits to which the employees are entitled are recognised at the undiscounted amount expected to be paid in exchange for that service.

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2. Income from donations and legacies

	Unrestricted funds 2016 £	Restricted funds 2016 £	Total funds 2016 £	Total funds 2015 £
Donations	<u>1,350</u>	<u>-</u>	<u>1,350</u>	<u>999</u>

3. Investment income

	Unrestricted funds 2016 £	Restricted funds 2016 £	Total funds 2016 £	Total funds 2015 £
Bank interest receivable	<u>11,527</u>	<u>-</u>	<u>11,527</u>	<u>10,074</u>

4. Income from charitable activities

	Unrestricted funds 2016 £	Restricted funds 2016 £	Total funds 2016 £	Total funds 2015 £
Contracts income - Adult Services	-	4,330,381	4,330,381	5,309,776
Contracts income - Young Person Services	-	3,235,055	3,235,055	2,107,480
	<u>-</u>	<u>7,565,436</u>	<u>7,565,436</u>	<u>7,417,256</u>

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5. Other incoming resources

	Unrestricted funds 2016 £	Restricted funds 2016 £	Total funds 2016 £	Total funds 2015 £
Sundry income	14,098	-	14,098	15,790

During the year, the company sold 3 properties with a profit on disposal of £11,346 (2015: £Nil). This has been included in other incoming resources within the SOFA.

6. Analysis of expenditure on charitable activities

	Unrestricted funds 2016 £	Restricted funds 2016 £	Total funds 2016 £	Total funds 2015 £
Adult services	-	4,326,902	4,326,902	5,084,791
Young Person Services	-	3,205,270	3,205,270	2,030,334
	-	7,532,172	7,532,172	7,115,125

7. Support costs

	Adult Services £	Young Person Service £	Total 2016 £	Total 2015 £
Support costs	223,504	168,493	391,997	373,390

Support costs cover the costs of the HR, Finance and Administration departments. They have been allocated on the basis of direct costs.

8. Governance costs

	Unrestricted funds 2016 £	Restricted funds 2016 £	Total funds 2016 £	Total funds 2015 £
Audit fees	11,810	-	11,810	9,500
Staff cost allocation	25,941	-	25,941	24,842
	37,751	-	37,751	34,342

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NOTES TO THE FINANCIAL STATEMENTS
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9. Analysis of resources expended by expenditure type

	Staff costs 2016 £	Depreciation 2016 £	Other costs 2016 £	Total 2016 £	2015 £
Adult services	3,275,373	17,342	1,034,187	4,326,902	5,084,791
Young Person Services	2,245,371	13,083	946,816	3,205,270	2,030,334
Charitable activities	5,520,744	30,425	1,981,003	7,532,172	7,115,125
Expenditure on governance	25,941	-	11,810	37,751	34,342
	5,546,685	30,425	1,992,813	7,569,923	7,149,467

10. Analysis of resources expended by activities

	Activities undertaken directly 2016 £	Support costs 2016 £	Total 2016 £	As restated Total 2015 £
Adult Services	4,103,398	223,504	4,326,902	5,084,791
Young Person Services	3,036,777	168,493	3,205,270	2,030,334
Total	7,140,175	391,997	7,532,172	7,115,125

11. Net incoming resources/(resources expended)

This is stated after charging:

	2016 £	2015 £
Depreciation of tangible fixed assets:		
- owned by the company	30,424	45,447
Auditors' remuneration	11,810	9,500
Staff pension contributions	206,814	170,788

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NOTES TO THE FINANCIAL STATEMENTS
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12. Staff costs

Staff costs were as follows:

	2016	2015
	£	£
Wages and salaries	4,986,448	5,013,866
Social security costs	353,423	374,963
Staff pension costs	206,814	170,788
	5,546,685	5,559,617

Wages and salaries above includes £924,537 (2015: £755,435) which are related to temporary staff costs which are outsourced by Compass.

The average monthly number of employees was: 161 (2015: 173) and the average monthly number of employees during the year expressed as full time equivalents was as follows (including casual and part-time staff):

	2016	2015
	No.	No.
Project staff	153	164
Administrative staff	8	9
	161	173

The number of higher paid employees was:

	2016	2015
	No.	No.
In the band £ 90,001 - £100,000	1	1

During the year, the company incurred redundancy or termination payments equal to £157,040 (2015: £36,406) which have been included as an expense within wages and salaries above.

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NOTES TO THE FINANCIAL STATEMENTS
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13. Directors' remuneration

The Executive and Non-Executive Directors are all trustees of the charity.
Details of their remuneration and expenses are given below.

	2016 £	2015 £
Executive Directors' Remuneration	<u>231,936</u>	<u>222,221</u>

During the year retirement benefits were accruing to 4 Executive Directors (2015 - 4) in respect of defined contribution pension schemes.

The highest paid Director received remuneration of £94,600 (2015 - £94,600).

The Executive Directors' individual remuneration was:

S Hamer - £94,600 (2015: £94,600);

M Roberts - £60,000 (2015: £30,000);

R Bundock - £70,400 (2015: £32,000);

F Shaw - £6,936 (2015: £37,121);

C Butterill (ceased as director 26 September 2014) - £NIL (2015: £28,500);

No remuneration was paid to the non-executive directors during the year.

Executive Directors received expenses amounting to £12,054 in the current year (2015: £5,879)

Non-Executive Directors received expenses amounting to £3,317 in the current year (2015 - £2,077)

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016

14. Tangible fixed assets

	Freehold property £	Fixtures and fittings £	Total £
Cost or valuation			
At 1 April 2015	575,000	94,892	669,892
Additions	-	72,710	72,710
Disposals	(410,000)	-	(410,000)
At 31 March 2016	165,000	167,602	332,602
Depreciation			
At 1 April 2015	-	43,024	43,024
Charge for the year	-	30,424	30,424
At 31 March 2016	-	73,448	73,448
Net book value			
At 31 March 2016	165,000	94,154	259,154
At 31 March 2015	575,000	51,868	626,868

The company owns one freehold property as at 31 March 2016, which is no longer in use for charitable activities and was placed on the market for sale during the previous year.

The properties were all revalued at 31 March 2015 on the basis of expected net sale proceeds. The sale of properties during the year has meant that the revaluation reserve has been released to general funds.

If the land and buildings had not been included at valuation they would have been included under the historical cost convention as follows:

	2016 £	2015 £
Cost	220,000	567,000
Accumulated depreciation	(52,800)	(164,400)
Net book value	167,200	402,600

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016

15. Debtors

	2016	2015
	£	£
Trade debtors	227,898	71,680
Prepayments and accrued income	492,595	96,635
	<u>720,493</u>	<u>168,315</u>

16. Creditors:
Amounts falling due within one year

	2016	2015
	£	As restated £
Trade creditors	355,770	161,515
Other taxation and social security	213,914	114,162
Other creditors	165,800	165,000
Accruals and deferred income	307,262	352,144
	<u>1,042,746</u>	<u>792,821</u>

Within other creditors, £165,000 (2015: £165,000) relates to a grant from Hull Teaching Primary Care Trust to Compass to enable the purchase of freehold property at 27 Beverley Road, Hull. A legal charge has been taken out by Hull PCT on this property.

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NOTES TO THE FINANCIAL STATEMENTS
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17. Statement of funds

	Brought Forward As restated £	Incoming resources £	*Resources Expended £	Transfers in/out £	Carried Forward £
Unrestricted funds					
General funds	1,766,162	26,975	(37,751)	146,264	1,901,650
Revaluation reserve	113,000	-	-	(113,000)	-
	<u>1,879,162</u>	<u>26,975</u>	<u>(37,751)</u>	<u>33,264</u>	<u>1,901,650</u>
Restricted funds					
Adult services	220,783	4,330,381	(4,408,732)	(3,479)	138,953
Young person services	-	3,235,055	(3,205,270)	(29,785)	-
	<u>220,783</u>	<u>7,565,436</u>	<u>(7,614,002)</u>	<u>(33,264)</u>	<u>138,953</u>
Total of funds	<u>2,099,945</u>	<u>7,592,411</u>	<u>(7,651,753)</u>	<u>-</u>	<u>2,040,603</u>
Summary of funds					
	Brought Forward As restated £	Incoming resources £	*Resources Expended £	Transfers in/out £	Carried Forward £
Unrestricted funds	1,879,162	26,975	(37,751)	33,264	1,901,650
Restricted funds	220,783	7,565,436	(7,614,002)	(33,264)	138,953
	<u>2,099,945</u>	<u>7,592,411</u>	<u>(7,651,753)</u>	<u>-</u>	<u>2,040,603</u>

* Resources expended includes the exceptional item charged to the Statement of Financial Activities.

Restricted funds are for the provision of services commissioned from Young People and Adult Services to tackle issues in Health and Well-being. Where applicable surpluses accrued in the year are released to general reserves to be used for the charitable purpose of the Company.

The restricted funds carried forward are available to provide effective drug and alcohol services in the London Borough of Enfield.

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NOTES TO THE FINANCIAL STATEMENTS
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18. Analysis of net assets between funds

	Unrestricted funds 2016 £	Restricted funds 2016 £	Total funds 2016 £	As restated Total funds 2015 £
Tangible fixed assets	259,154	-	259,154	626,868
Current assets	2,685,242	138,953	2,824,195	2,265,898
Creditors due within one year	(1,042,746)	-	(1,042,746)	(792,821)
	<u>1,901,650</u>	<u>138,953</u>	<u>2,040,603</u>	<u>2,099,945</u>

19. Reconciliation of net movement in funds to net cash flow from operating activities

	2016 £	2015 As restated £
Net (expenditure)/income for the year (as per Statement of Financial Activities)	(59,342)	294,652
Adjustment for:		
Depreciation on tangible fixed assets	30,424	45,447
Depreciation on revalued assets	-	(54,394)
Dividends, interest and rents from investments	(11,527)	(10,074)
(Profit)/Loss on the sale of fixed assets	(11,346)	5,229
Revaluation of properties	-	110,720
(Increase)/decrease in debtors	(552,178)	679,587
Increase/(decrease) in creditors	249,925	(355,796)
Net cash (used in)/provided by operating activities	<u>(354,044)</u>	<u>715,371</u>

20. Analysis of cash and cash equivalents

	2016 £	2015 £
Cash at bank and in hand	2,103,702	2,097,583
Total	<u>2,103,702</u>	<u>2,097,583</u>

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NOTES TO THE FINANCIAL STATEMENTS
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21. Operating lease commitments

At 31 March 2016 the company had total minimum lease payments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	2016	2015	2016	2015
	£	£	£	£
Expiry date:				
Within 1 year	68,322	39,122	-	-
Between 2 and 5 years	178,078	269,563	-	-
Total	246,400	308,685	-	-

22. SOFA prior year comparatives

	Unrestricted funds	Restricted funds	Total funds
	2015	2015	2015
	£	£	£
Income from:			
Donations and legacies	999	-	999
Investments	10,074	-	10,074
Charitable activities	-	7,417,256	7,417,256
Other income	15,790	-	15,790
Total income	26,863	7,417,256	7,444,119
Expenditure on:			
Charitable activities	90,668	7,058,799	7,149,467
Total expenditure	90,668	7,058,799	7,149,467
Net incoming / (expenditure) before transfers	(63,805)	358,457	294,652
Transfers between funds	150,875	(150,875)	-
Net income / (expenditure) before other gains and losses	87,070	207,582	294,652
Loss on revaluations of fixed assets	(24,280)	-	(24,280)
Net movement in funds	62,790	207,582	270,372