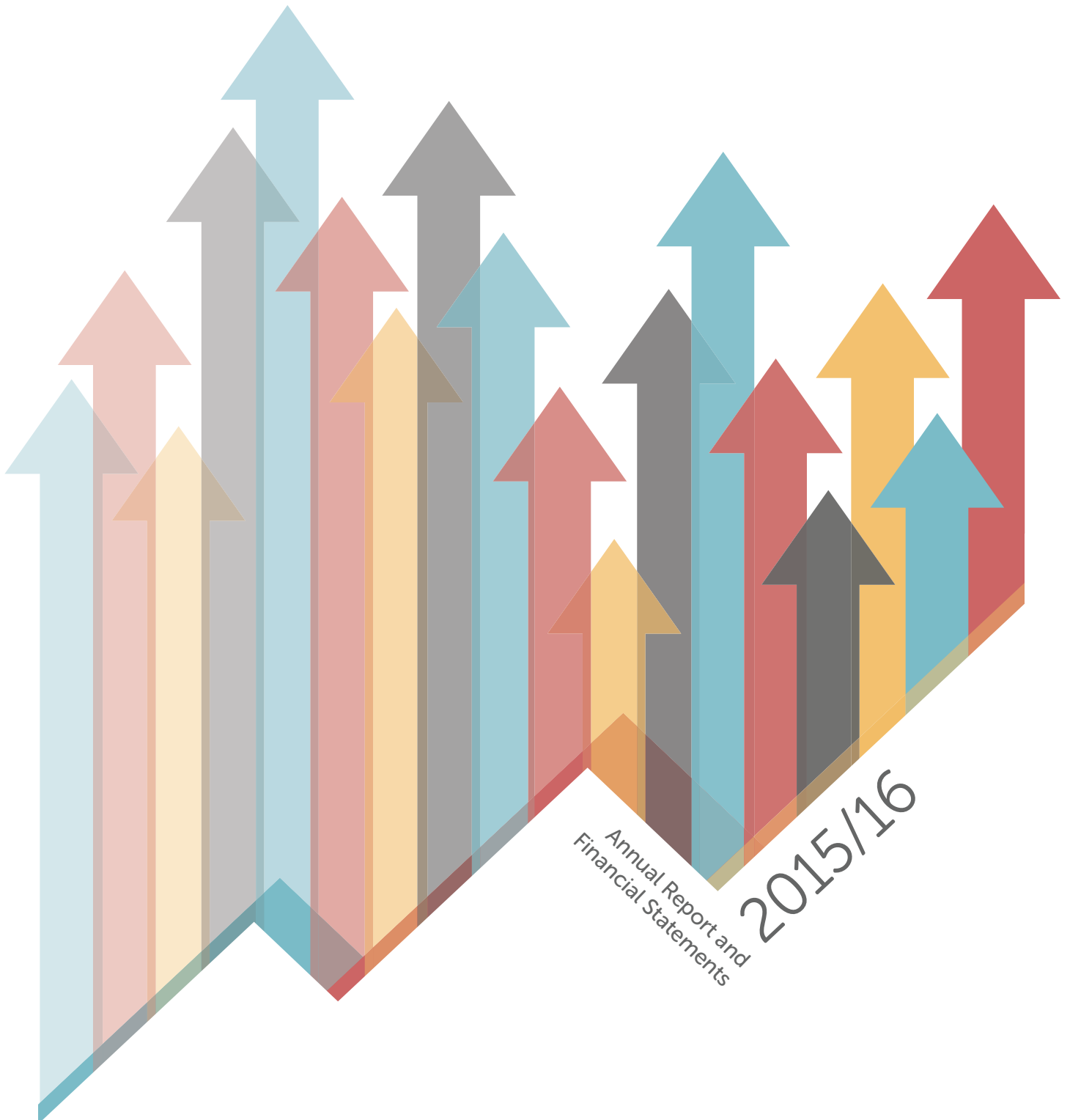




saha

Salvation Army Housing Association



Contents

1	Strategic Report	Page
	Who we are	3
	Our mission	4
	Our values	4
	Chairman and Chief Executive's introduction	5
	Principal activities	6
	Our corporate strategy	7
	Performance overview	8
	Housing services	11
	Asset management	15
	Risk management	26
		33
2	Governance Report	40
	The Board	41
	Board governance	42
	Report of the Board	46
3	Value for Money	51
4	Financial Statements	68
	Independent auditor's report	69
	Statement of comprehensive income	70
	Statement of equity and reserves	70
	Statement of financial position	71
	Statement of cash flows	72
	Notes to the financial statements	73

Strategic Report

Who we are

Salvation Army Housing Association (“saha” or “the Association”) is a charitable provider of social housing and support services across England. The Association is registered under the Co-operative and Community Benefit Societies Act 2014 (registration no. 15210R) and is also registered with the Homes and Communities Agency (registration no. LH 2429).

We provide accommodation for a range of different people, young and old. Our support services help people to develop their personal talents, flourish and live independently.

Our mission

Transforming lives

Our primary purpose is derived from The Salvation Army’s mission, which relates to tackling homelessness and supporting the most vulnerable people in society. We believe each person has value and an innate ability to transform their own lives and develop their potential as an individual and as a member of society. We believe that only by adopting a holistic approach to addressing people’s ‘whole’ needs based on their physical, mental, moral and spiritual wellbeing can lives be truly and completely transformed and people achieve health in the fullest sense.

The homeless and vulnerable are the people we predominantly, but not exclusively, seek to serve. They have a range of development needs as part

of their transformation process to achieve health in the fullest sense. These development needs range from basic (housing, health, food, clothing), psychological (inclusion, social stability, self esteem) through to self fulfilment.

Our role in this transformation process is to provide housing and support a person’s focus on their psychological development, which we believe provides the platform from which more advanced needs can be met and lives ultimately transformed. With our resources, housing assets and staff skills, this is where we believe we can contribute most effectively and add value to a person’s personal development.

Our values

Servant Leadership

Our organisation has a Christian faith basis which includes welcoming and involving those of other faiths and backgrounds and those of none. Caring for other people and putting their needs first is the rock on which our organisation is built. Our style of leadership is participative and collaborative. As servant leaders we encourage, support and enable each other to achieve our full potential and abilities.

Passion

We have a strong affinity for our organisation’s purpose and a compelling desire to see those whom society classes as vulnerable develop and flourish. This engages and motivates us to give the best of ourselves in our respective areas of work in the knowledge that we are contributing towards the fulfilment of people’s lives and our mission.

Inclusion

We understand the richness that diversity brings and that a healthy community, whether that is our group structure, our residents, a scheme, estate, team or office, is one in which people feel they belong. Having a sense of belonging – feeling respected, valued for who you are, the talents you have, feeling a level of supportive energy and commitment from others – is when we work at our best and this is how we strive to work at saha. In the modern world, this also necessarily extends to being digitally included.

Respect

We believe that everyone should have a positive feeling of esteem and that we should show consideration for people whether they are our residents, colleagues, partners or others, by the way we conduct ourselves through our language and our actions.

Effectiveness

We believe in being solutions orientated, achieving our objectives successfully and performing over the long term. In an environment of finite resources, we work with agility and efficiency and we are advantaged and innovative in our thinking.

Chairman and Chief Executive's introduction

This has certainly been a year that neither saha nor anyone in the social housing sector could have predicted with various government announcements affecting the finances and delivery of services of all housing associations.

At the same time, demand for housing is ever increasing with growing levels of homelessness and the demand for saha services becoming ever more pressing. Whilst we operate within this changing landscape, we need to keep our purpose at the forefront of our minds – “Transforming lives”.

This year we have housed 267 people in our General Needs and OPS services, successfully helped 11 people to find new permanent accommodation from our Lifehouses, assisted 228 residents to successfully move on from our Directly Managed Supported Housing schemes, built 43 new properties and supported 157 people in developing their potential in terms of assistance in obtaining paid work and engagement in education and training at our young people’s services and supported housing schemes.

However, we are not complacent. If we are to continue to provide such vital housing and

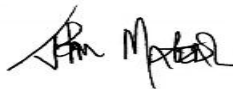
support services, we need to face the challenges of the day and readily adopt the Government’s focus on value for money and reducing costs.

Whilst our purpose and culture of transforming lives will not change, we are adapting the way we operate in terms of financial planning, asset management and the delivery of services in order to continue to meet our objectives.

We are also conscious that we rely on the passion, goodwill and enthusiasm of our parent, partners, residents and staff – all of whom see beyond the legal relationship we have with them, which supports our mission.

This year we would like to acknowledge and dedicate our annual report to all those who have helped us to continue to “Transform lives”.

**Commissioner
John Matear, Chair**



28 July 2016

**Nigel Parrington,
Chief Executive**



Principal activities

Our principal activities are the development and management of social housing, primarily for single people. This includes Lifehouses for homeless people, Foyers offering support and training, housing with appropriate support services for vulnerable people, special housing for the elderly as well as self contained rented homes at rents affordable to those on low incomes.

We operate nationally in 64 local authorities across England and have four main areas of operation:

1. Agency managed centres



We work in partnership with a number of organisations nationally, including The Salvation Army, to provide a wide range of Agency Managed Supported Housing services. We have 35 schemes, including residential centres (called Lifehouses) for homeless single people and homeless families, centres for those detoxing and/or recovering from drug and alcohol addictions, accommodation for ex-offenders and individuals and families fleeing domestic violence. We also have one elderly care home. Within these partnerships, we act as the landlord owning and maintaining the buildings, whilst our managing agents undertake the day to day management of the service.

2. General needs



We have a range of accommodation for mainly single people; we also have flats and houses for families. Generally residents come into this type of accommodation through council housing lists and choice based lettings. 20% of last year’s lettings were to people from Agency Managed centres or those within our Directly Managed Supported Housing.

3. Accommodation for the over 55s



Some of our accommodation comes with specialist services for those over the age of 55, including a scheme manager providing on-site support. In accommodation where there are no staff on site, there will be an alarm call system and other types of floating or community support available. Styles of accommodation vary from studio flats to bungalows. Many of our schemes have communal facilities where activities and clubs take place.

4. Directly managed supported housing



We have three Foyers, housing young people between the ages of 16 and 25, one supported housing direct access accommodation for those over the age of 16, two accommodation centres for young mothers in East Sussex and one scheme for people with mental health issues. All of these schemes have 24 hour staff support, and residents engage in a range of activities to promote independence with the aim of resettlement into other types of non supported accommodation.

It should be noted that there are variances in the stock profile data between the Statistical Data Return and the Annual Accounts. This is predominantly due to differences in regulatory and internal definitions of some property assets. Saha has a complex overall stock profile and as a consequence a cross departmental annual stock reconciliation exercise has been introduced in the last quarter of each year to provide assurance that the data is as robust as feasibly possible.

External contracts

We manage over 700 residential properties on behalf of The Salvation Army, providing a housing management service throughout the country. We also provide a supported housing inspection service to The Salvation Army and a number of external bodies and a housing management accredited service to supported housing providers.

Our corporate strategy

2015/16 was the final year of our three year corporate strategy. A summary of the objectives for 2015/16 and the outcomes we achieved is set out below:

Delivering our key objectives for 2015/16

Investing in our people	
Objective	Outcomes
Carry out a review of governance.	<ul style="list-style-type: none">Board champions were agreed for specific areas.The strategic and operational focus of the Board was reviewed and a new framework for meetings introduced.New comprehensive performance reporting was introduced for the Board.E-Board papers were introduced.
Improve levels of employee retention, sickness absence and management capability.	<ul style="list-style-type: none">By the year end sickness was 7.7 days average per person against a target of 7.6 days.Staff turnover was 25% against a target of 20%.We improved staff engagement, including a 2% improvement on management capability and we were ranked 27 (2015: 41) in the Sunday Times top 100 not for profit organisations.
Carry out a review of pension provision in light of an increased deficit in the Social Housing Pension Scheme.	<ul style="list-style-type: none">Mitigating actions were agreed by the Board which included increasing the retirement age to 67, lowering the cap applied to revaluation of member benefits and increasing employee contribution rates.

Investing in our residents	
Objective	Outcomes
Carry out a national resident consultation exercise to review and build on our approach to resident involvement and co-regulation.	<ul style="list-style-type: none">We completed a programme of road shows gathering valuable feedback on residents' improvement priorities for their estates / schemes.We were successful in promoting resident scrutiny and recruiting new members to join our Resident to Resident (R2R) scrutiny panel.
Improve and automate the collation of customer satisfaction survey data.	<ul style="list-style-type: none">We improved the information we maintain on customer satisfaction across a range of service areas.

Investing in our residents' homes	
Objective	Outcomes
Pilot test the introduction of annual home MOTs.	<ul style="list-style-type: none">Whilst our pilot did not highlight any estates that were significantly worse performing than others, we gathered valuable information that will help us to identify ways in which we can reduce maintenance costs.
Identify those schemes and estates in need of regeneration and / or environmental improvement and aim for 90% of these to have at least one improvement within the life of this strategy.	<ul style="list-style-type: none">The Board approved a strategy to target major repairs to focus on two of six regional areas each year. The third and final year focus was London and the Midlands.All schemes and estates have had improvement works carried out over the last three years.
Develop an assets and liabilities register.	<ul style="list-style-type: none">This was completed during the year.Information and analysis is being used by the Board to inform a new Asset Management strategy.

Our corporate strategy – continued

Investing in our business	
Objective	Outcomes
Implement accounting processes that comply with Financial Reporting Standard (FRS) 102.	<ul style="list-style-type: none">This was successfully completed.
Review the value for money of our existing housing management agreements and relationships with agents.	<ul style="list-style-type: none">A review of the financial value for money from existing agreements with external agents identified that good financial value is being achieved. More information is set out in our annual value for money assessment.

New corporate strategy 2016-21

During the year the Board also approved a new five year strategy commencing in April 2016.

The key strategic priorities of this strategy are:

- 1. Financial viability and good governance
- 2. Digitisation
- 3. Organisational focus

The strategy identifies a transformation programme that is required to face the challenges of the next five years and beyond in order to achieve the strategic direction and vision set by the Board. The transformation programme, which focuses on the development of a new target operating model (TOM), will be the main focus of the organisation in 2016/17.

Performance overview

We have a balanced scorecard of key performance indicators based on the four strategic priorities of our corporate strategy. A summary of the main indicators is set out below.

We operate a colour coding for measuring our key performance indicators. A green colour code indicates a good level of performance within, or better than, target. An amber colour code indicates that whilst performance was not at the

target level expected, it was better than performance at the previous year end. A red colour code indicates a poor level of performance, not at the target level expected. The direction of movement is also colour coded to indicate a favourable movement (green) or adverse movement (red) between the two years 2014/15 and 2015/16.

Investing in our people				
Performance Indicator	Year end 2014/15	Year end 2015/16	Target	Movement
Average number of days sickness per person	6.5 days	7.7 days	7.6 days	^
Staff turnover	22%	25%	20%	^
Average number of hours learning per person	31.9 hours	30.4 hours	35 hours	v
Staff engagement index	716	713	697	v

Performance overview – continued

Investing in our residents				
Performance Indicator	Year end 2014/15	Year end 2015/16	Target	Movement
Satisfaction with repairs	97%	97%	90%	<>
STAR overall satisfaction	79%	86%	90%	^
Planned move on	82%	81%	80%	v
Inspected schemes at 'Good' or 'Excellent'	49%	59%	85%	^
AMS (TSA) at 'Achieving' standard	100%	70%	80%	v
AMS (Non TSA) at 'Achieving' standard	100%	22%	80%	v
HMA at 'Achieving' standard	100%	83%	80%	v
Directly Managed 'Achieving' standard	–	86%	80%	^
Average time to answer inbound calls (20 seconds)	20 seconds	8 seconds	20 seconds	^
Percentage of calls answered	99%	99%	98%	<>

Investing in our residents' homes				
Performance Indicator	Year end 2014/15	Year end 2015/16	Target	Movement
Repairs completed in target (Handypersons)	99%	99%	96%	<>
Repairs completed in target (Contractors)	98%	97%	96%	v
Repairs completed right first time	88%	91%	80%	^
Gas safety inspections overdue	4	0	0	^
Fire risk assessment compliance (saha)*	–	100%	100%	<>
Fire risk assessment compliance (agency)*	–	100%	100%	<>
Voids (tenantable and non tenantable)	2.3%	1.2%	2%	v
Void rent loss	1.7%	1.9%	2%	^
Average time to re-let voids	16.2 days	16.3 days	17 days	v
Surplus on property disposals	£nil	£499k	£250k	^
Average energy efficiency rating	67	67	69	<>

*Fire risk assessment for 2014/15 was also 100%, but this was not formally reported as a KPI, hence no values have been entered for 2014/15.

Performance overview – continued

Investing in our business				
Performance Indicator	Year end 2014/15	Year end 2015/16	Target	Movement
Current tenant arrears (gross)	4.3%	4.5%	5%	^
Current tenant arrears (net of HB)	1.9%	2.2%	2%	^
Former tenant arrears	1.1%	0.9%	1%	v
Rent written off	1.2%	1.2%	1%	<>
Surplus as a % of turnover	7.7%	7.8%	2%	^
Central overhead as a % of turnover	10.9%	10.7%	10%	v
Return on assets (Social housing activity)	1.4%	2.6%	1.5%	^
Annualised management cost per unit	£1,347	£1,265	£1,404	v
Annualised maintenance cost per unit	£912	£851	£891	v
Interest cover covenant	2.9	5.3	1.10	^
Cash covenant	£7.7m	£8.8m	£3m	^
Gearing covenant	18%	17%	60%	v

Housing services

Customer service centre

Our Customer Service Centre (CSC) is the first point of contact for all saha customer enquiries. It deals with all types of incoming enquiries and:

- Manages a comprehensive telephone, email and survey process across all business areas
- Manages business functions, including repair ordering, invoice management and day to day contractor liaison
- Manages our rent recovery facility with specialist Rent Account Officers
- Centrally manages our service complaint handling process
- Manages access arrangements for our gas servicing programme
- Acts as the managing agent for the day to day management of 700+ Retired Officers’ properties for The Salvation Army

contractors, ensuring timescales are met and customer satisfaction is achieved.

The team is also responsible for assisting with the Gas Safe access programme, ensuring we meet all legal obligations. Other administration duties include invoice checking, contractor insurance checks and repair job completion checks.

The rent recovery team manages the rent accounts for all our General Needs and Older People’s accommodation.

The team works with residents who are in rent arrears and liaises with benefit departments to secure payments, provide support and signpost residents where they need help to manage their finances. Other administration tasks include Retired Officers’ lettings, vacation administration and rental agreements and payments.

Rent payment & income management

Over the last financial year we have adopted a pre-payment culture as part of our new tenancy sign up procedures. All new residents are now required to pay the full rental amount due in advance at the tenancy sign up.

Residents then choose how they would like to pay us – housing benefit direct, direct debit, standing order, Allpay payment cards or telephone payments. We offer as much support and assistance as we can to residents needing to make claims for benefit, particularly those who now have to claim under Universal Credit.

When residents fail to pay, we do our best to help. If a resident falls behind with their payments, our first response is always to offer practical support, advising on any benefits they may be entitled to and putting them in touch with organisations that can help with debt management. We also give our residents an opportunity to arrange and agree

Teams

The CSC comprises three distinct teams:

The contact team is responsible for the day to day management of phone, text and email enquiries.

The team receives around 150 enquiries a day, ranging from general repairs calls to calls from residents needing support from their Housing Officer. The contact team is also responsible for our new customer ownership process, ensuring a right first time approach is taken in all customer contact. Other administration tasks include the day to day management of Retired Officer enquiries, processing former tenant arrears, rechargeable repair cost recovery and completing a range of service surveys.

The repairs processing team inputs and processes all repairs through our maintenance

Housing services – continued

repayment terms with us before we consider legal action.

The Rent Recovery Officers are responsible for collecting rent and service charge payments from residents in the properties we manage directly.

The central management of rent accounts continues to release our frontline Housing Services staff to focus on tenant support and tenancy sustainment.

These income management processes helped to control our current tenancy arrears figures in 2015/16, with arrears at 4.5% of the total rent due at the end of the financial year, below our 5% corporate target. This is particularly important as Welfare Reform begins to take effect.

We also maintained a strong performance with the in-house recovery of former tenant arrears and continued our working relationship with our external debt collection agency. We were below our target figure of 1% at the end of the financial year at 0.9%.

Contact

During the year the CSC received over 34,500 calls, most of which were answered within four rings. There are no automated messages so the customer speaks directly to a member of the team. Most calls related to rent account queries, with just under 6,000 calls received in that category alone.

Over 25,000 outbound calls were made by the team during the same period, dealing with an extensive range of customer care repairs and rent recovery matters.

We are always looking for ways to make it easier for our residents to contact us. We can be contacted using a freephone number, via email or text, through our website or in person. We also have a central email address – info@saha.org.uk.

Complaints

We received 47 service complaints in the year, nine fewer than last year. Only two complaints were escalated to the second stage of the process for review at director level, none of which was referred to a stage three panel hearing.

Learning outcomes

We are always learning from complaints. A number of the complaints we received taught us some valuable lessons and resulted in changes to working practices. We reported these changes to residents via saha News.

Compensation

During the year we made five compensation payments to resolve service complaints. This was a reduction on the previous year. The payments made were all in line with our compensation policy and were agreed with each resident concerned.

Compliments

Many residents have taken the time to give us positive feedback and compliments on our services, which we really appreciate. We are very happy to hear when residents are satisfied and we immediately share this kind of information with the staff teams involved to reinforce good practice.

Surveys

Surveys completed by the team cover new tenancy services, the complaints service, the gas servicing process, the anti-social behaviour reporting service, repairs ordering and a survey for all residents vacating a property. We achieved an overall satisfaction level of 98% from over 800 surveys completed.

Customer Excellence Accreditation

Each year the CSC is assessed by an external accreditor to ensure the services we provide for customers are excellent.

The latest result in 2015/16 confirmed once again that we had secured full compliance with the external Customer Service Excellence Accreditation, with two compliance plus awards for our continued customer ownership approach. This shows the department's ongoing commitment to continuous improvement and to providing excellent customer service.



Independent Quality Inspectorate (IQI)

The IQI team is responsible for monitoring and inspecting all our Agency Managed Supported Housing services and is contracted to provide The Salvation Army Social Services Department with a national inspection service for The Salvation Army Homelessness Services Unit and the Employment Plus department. IQI inspects over 100 services of a range of types, including Lifehouses, Floating Support services, Support Only services, Day Centres, Night Shelters, Family services and Housing Management services. Over the last year, IQI has inspected saha Landlord services under the management of eight different managing agents. IQI has also completed inspections at the saha Directly Managed services and in 2015/16 carried out eight such inspections.

The inspection process measures performance against set standards. There are currently 11 inspection toolkits in use and three under development. Toolkits are tailored to meet regulatory and best practice requirements by

assessing performance and service provision against a set of clear standards.

IQI performance

IQI works within a quality assurance framework and provides a well established and comprehensive inspection service that has built up a sound track record in driving service improvements through the production of clear, accountable standards, clearly identifying any risks and outlining the necessary actions to be taken. We met our Key Performance Indicator targets for our Quality Objectives on overall service customer satisfaction, with our target of 90% being exceeded at 93%. This is based on feedback from inspected services. Issuing of inspection reports to customers was met at 100%, as was the issuing of quarterly reports to the customer – 100%. We met our 100% target for inspections being completed within the quarter in three of the four quarters of the year, with just one inspection needing to be moved out of its designated quarter during the year due to unforeseen circumstances.

ISO certification

IQI was awarded certification in BS EN ISO 9001:2008 standards – Quality Management Systems. The scope of the registration is as an Independent Inspectorate of Housing, Social Care and Welfare to Work Sectors and IQI was awarded this accreditation in July 2011. We have been subject to annual audits by ACS Registrars since then and each year have been re-certified. We intend to move to ISO 9001:2015 standards for the next audit scheduled for June 2017. The principal element of this accreditation is our robust quality management system, which ensures we work on a continual improvement cycle, analyse feedback and look to ensure total customer satisfaction at all times.

Housing services – continued

New business opportunities

Throughout 2015/16, the work of IQI has expanded and new business opportunities have arisen due to a growing reputation and recommendation. The IQI process gives evidence of an arms length independent quality assurance function and IQI has continued to work with new customers and provides bespoke services to meet particular needs. IQI has assisted a national organisation with recruitment and training of Inspectors, sharing our expertise and knowledge in quality assessment against standards. We have carried out inspections in the Care sector for two separate organisations to review domiciliary and dementia care services provision against regulatory based standards. We have also carried out individual inspection work on other types of supported services for vulnerable people. IQI additionally carried out a quality assurance review for Providence Row Housing Association (PRHA) in London. PRHA commented:

“The saha IQI review team offered PRHA a comprehensive, expert review package. Working with a team who understood our business enabled PRHA to put in place actions to achieve change and best practice.”

IQI continues to develop its customer base and has attended a number of exhibition events to promote our quality assurance work and market the services we provide.

IQI resident inspector project

IQI currently has two volunteer Resident Inspectors who accompany IQI Quality Inspectors to a variety of homelessness services inspections. The Resident Inspectors have lived in Lifehouse accommodation and assist our Inspectors with

facilitating resident consultation. The Resident Inspectors assisted in IQI inspections at 17 services during 2015/16.

During 2015/16, IQI has also been looking to expand the project and has been working on promotional and training material to roll out to residents in services at Lifehouses and saha Directly Managed services to encourage wider participation.

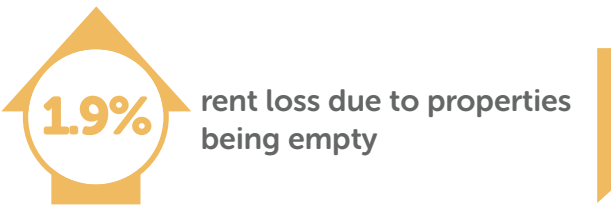
The current Resident Inspectors and IQI staff have put together a draft training session and have attended Digital Storytelling training with a view to using this in the Resident Inspector training sessions and as an advertisement for the project that can be accessed through the saha website. A short film has been produced to give interested residents an idea of what it is like to be a Resident Inspector from a client perspective, as well as what skills can be developed from the role.

Housing management performance

During the year 2015 we had some great successes.

Rent loss from our empty homes

We aim to let all our properties as quickly as possible so that our homes are available for those who need them. At the end of the financial year the rent loss due to properties being empty was 1.9%. This is below our target of 2%.



Re-let times

Across our General Needs, Older People’s services and Directly Managed services, it took us 16.31 days on average to turn a property round from one resident leaving to the next one moving in. We have a challenging target of 17 days in which to complete this, and although we succeeded, we want to reduce this time still further.

New tenancies

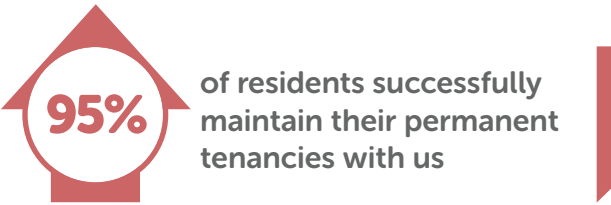
We recognise that a new home is of the utmost importance to the residents across our services. During the year we let 608 properties across all our non Agency Managed services. We made 238 lettings in our General Needs services, 29 in our Older People’s services and 341 in our Directly Managed services. When we surveyed our residents, 98% said they were satisfied with the allocations and lettings service they received.

We review all feedback where residents have reported dissatisfaction to us. On two occasions residents have highlighted issues to us, and these both related to the layout of the property and our lettable standards. As a result of the feedback, we have reviewed our void procedure to address these concerns.



Sustaining tenancies

Within our General Needs services, we measure the number of residents who successfully maintain their permanent tenancies with us. Of those tenancies, 95% of our new tenancies were successful. Of the 5% that ended within the six month target, none of the tenancies was abandoned – 10 residents ended their tenancy either for economic reasons or made a positive decision to return to their family.



Dealing with anti-social behaviour

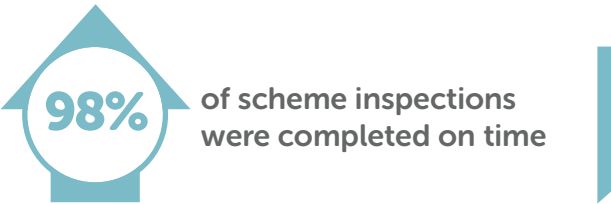
Dealing with Anti-Social Behaviour (ASB) remains a priority. We continue our strong relationships with the local police, voluntary and statutory agencies and work in partnership with them to prevent and tackle ASB when it occurs. Many types of ASB cases were managed in 2015/16. These included noise nuisance, abusive and threatening behaviour, damage to properties and harassment. These were all dealt with under our standard ASB procedure.

Over the past year, we have worked closely with key agencies locally to deal with ASB. We have also improved our internal recording systems. A new database is now in place that includes action plans, check lists and improved mechanisms for monitoring ASB cases. We can also produce performance information directly from our systems, which improves the accuracy of reporting statistical information relating to ASB incidents. At the end of the year we had dealt with 93 incidents of ASB.

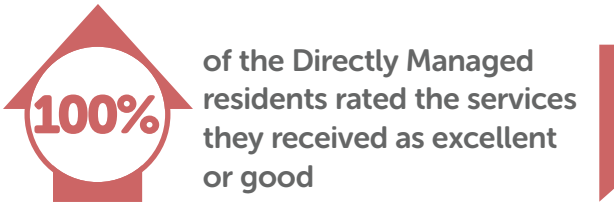
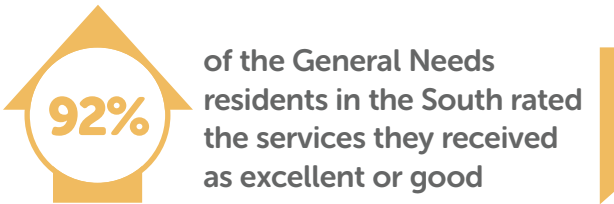
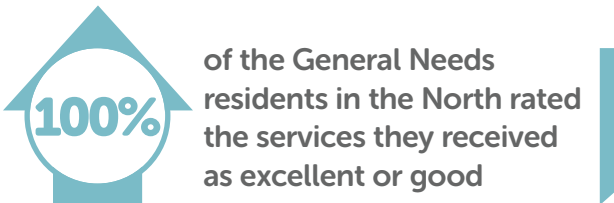
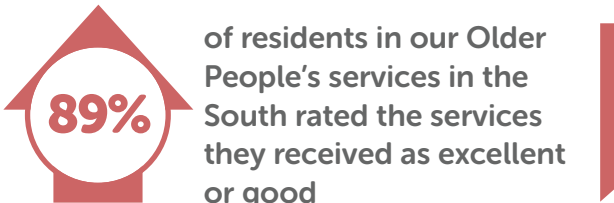
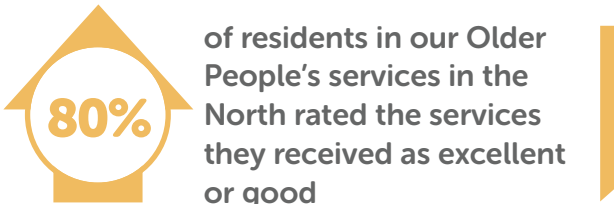
Housing services – continued

Scheme inspections

We value feedback from our customers and partners so we've been capturing opinions through our scheme inspections. The focus of scheme inspections is on the general upkeep of each neighbourhood, gardening and cleaning services and access to services. During the year we undertook 495 scheme inspections, of which 98.6% were completed on time. Of the few that were not completed on time due to staff changes, we managed to reschedule the majority.



Our scheme inspections are well supported and attended by our residents and stakeholders. We consider this an excellent opportunity to meet our residents and gather their views on the services they receive. In 2015/16 a total of 329 residents volunteered to meet with Housing Management staff and rated the services they received. 80% of those in our Older People's services scored the service as excellent or good in the North Region, and 89% in the South. 100% of the General Needs residents in attendance in the North scored 100% as an excellent or good service and in the South 92%. In Directly Managed, 100% of residents scored the service as excellent or good.



Environmental improvements

Our scheme inspections also provide an opportunity to gather feedback on the kind of improvements residents would like to see in their neighbourhoods. In the North and South Regions we invested over £20,000 in local and environmental improvements following consultation with residents and the community. Examples of the types of improvements we delivered include:

- At Rue Des Jeunes, Braintree we installed CCTV to improve security
- At St Clements Church Lane, Ipswich we enhanced the appearance of the garden
- At Morton Court, Maldon we improved the refuse facilities
- Bollards were erected to assist with car parking at Burstall Close, Clacton
- Additional planting was undertaken at The Old School, Ashford



- We installed CCTV in Manchester, Scunthorpe and Darlington to help tackle ASB issues by providing coverage in the more vulnerable areas of the schemes. Residents have reported a reduction in nuisance since the installation of CCTV.
- In St Helens we supplied additional lighting and metal fencing to the wall at the rear of the scheme to our Older People's services. Residents have reported that the improved lighting and fencing have helped to deter youths from congregating and causing a disturbance.

You said: we did.....

Wayside, Cheltenham – Our scheme inspection process highlighted some resident dissatisfaction with the fencing and aspects of grounds maintenance. As a result of this we implemented a phased improvement / replacement programme over the year. Phase 1 is complete and met with resident satisfaction, and phase 2 will be completed in 2016/2017.



Housing services – continued

Victoria Court, Whitechapel – Residents were disappointed with the appearance of the communal flooring. As a result we stepped up our deep cleaning with the cleaning contractor, and the flooring was finished to a high standard, to the satisfaction of the residents.

Rothbury Court – Residents were experiencing issues with local youths cutting through unlit areas of the scheme and gathering on adjoining walls. We were concerned that some residents were feeling unsettled in their homes and fearful of walking around the scheme in the evening. We installed wall top metal fencing in key areas to deter youths from congregating and causing noise and nuisance and installed additional lighting in the unlit area of the scheme. Residents were extremely happy with this and whilst the measures did not eliminate the problem entirely, they commented that it made a huge difference.



Lights along the passage at Rothbury Court, St Helens

Housing for Older People

Accreditations

Centre for Housing Support (CHS)

In September 2015 we were proud to achieve 2 Star Accreditation against the CHS Service Excellence Standards in relation to our Older People’s schemes at:

- Hazelwood Court, Maldon
- Catherine Baird Court, London
- Charles Court, Tunbridge Wells
- Kitty Wheeldon Gardens, Sale
- Sheringham Close, St Helens
- Rothbury Court, St Helens

Accreditations

Elderly Accommodation Counsel (EAC)

Hazelwood Court, Maldon also achieved national recognition and was awarded the Bronze Award for best UK retirement housing scheme in the under 24 unit category for 2015. Margaret Bolton, Scheme Manager, was extremely proud to receive the Award at the recent EAC ceremony on behalf of Hazelwood Court.



Residents’ Coffee Morning, Sheringham Close, St Helens

New Homes

Leeds

In June 2015, saha completed the refurbishment of 29 units at the former Mount Cross service in Bramley, Leeds. These 29 new homes comprise 28 over 55s single bedroom flats and one three-bedroom flat. In February 2016, a dedicated Housing Officer was appointed to the scheme. He has been working in partnership with The Salvation Army to promote Bridging the Gap initiatives, focused around the community hub. In March 2016, a community engagement and open day event took place, which was attended by local ward members. The open forum provided feedback from the local community and was an excellent example of partnership working and community engagement.

Mr and Mrs X told us: “Ever since moving the service we have experienced from saha has been an improving one. Initially there were teething problems all associated with a new development. These were solved by saha as quickly as they could have been. We have found that saha staff at the call centre are very polite, efficient and always welcoming. Ever since the appointment of our Housing Officer, Sebastian, we have found the

service level has increased dramatically. My wife and I hope to be associated with and remain tenants of saha during our retirement years. We feel we belong to a caring family as well as living in a safe and caring environment”.

Stroud

In December 2015, we handed over the keys to 10 beautiful new flats in Slad Road, Stroud. The flats are energy efficient and provide affordable tenancies for those in housing need.

Commenting on his new rented accommodation, one resident said: "It's gorgeous, absolutely gorgeous and Stroud is within walking distance." The gentleman had been living in his car and sofa surfing on and off for the last few weeks before receiving his offer.

Bridging the Gap with The Salvation Army

Saha works closely with The Salvation Army on Bridging the Gap initiatives, seeking to provide practical help and support to new and existing residents and to people in our communities. Here are a few examples:

- Victoria Court, Whitechapel residents embarked on a gardening project working jointly with Salvation Army staff and residents at our adjoining Salvation Army managed service at Booth House.
- Joint activities are encouraged with Salvation Army services, and a snooker match was held between Booth House and Victoria Court residents and staff.
- The Tunbridge Wells Corps provides ongoing support and assistance, which is greatly appreciated by residents at our housing scheme for older people.

Housing services – continued

- Many of the residents from Catherine Baird Court sheltered housing scheme attend the Care & Share shop in Balham. Several join in with the Sunday and other special services. Residents are also invited to meals and utilise the Corps Hall for a range of recreational activities.
- At our St Helens schemes, we worked in partnership with The Salvation Army church and Iceland to provide Christmas lunch for 30 residents without family support or cared for by others. Iceland provided the food and lunch was prepared and cooked by Salvation Army staff and volunteers, and the Housing Support Workers served. Residents said how much they enjoyed the day and thanked The Salvation Army, Iceland and saha for their kindness.
- In Sale we have an excellent working relationship with the local Salvation Army Corps. The Salvation Army is invited to events at Kitty Wheeldon Gardens, our sheltered housing scheme, and we have in turn been welcomed to use the facilities in the church.
- We celebrated the 100th Birthday of one of our residents, Ellen, at Kitty Wheeldon Gardens. The event was held at The Salvation Army church and the Corps Officers, Majors Aubrey & Irene Draycott, attended. The event was a great success.



We continue to accept referrals from our Salvation Army managed services. We also accept referrals through other routes via Salvation Army colleagues, such as the Drop in Centre in Nottingham. We have had three new residents from this route who are now settling in and beginning to look for work with the help of The Salvation Army Employment Plus scheme. An article about one of our new tenants featured in the Salvation Army publication, The Salvationist.

Directly managed supported housing services

One of our General Needs residents, Phil Spalding, is a British bass player who has played with some of the biggest names in modern music, from Elton John to Mick Jagger, Orchestral Manoeuvres In The Dark to Mike Oldfield, Kylie Minogue to Robbie Williams and plenty more. Phil recently spoke to aspiring musicians at Braintree Discovery College about what it takes to maintain a career as a professional musician. With a career spanning 35 years, and many hit records and tours under his belt, Phil is in a unique position to share his insights on the sacrifice and dedication needed to survive in the music business, and residents at the Foyer found his advice invaluable.

Supporting People outcomes

In our previous Annual Report we reported on 10 key areas of support outcomes. We are pleased to see that we have made some improvements in performance and secured more positive outcomes in almost all categories.

	National Average	Saha Average 2014/15	Saha Average 2015/16	Better or worse performance on previous year
Maximising income	92%	91%	95%	^
Reducing overall debt	79%	77%	70%	v
Obtaining paid work	39%	19%	44%	^
Participating in education and training	71%	68%	85%	^
Establishing contact with external groups	92%	93%	95%	^
Better managing physical health	88%	87%	93%	^
Better managing mental health	84%	70%	82%	^
Better managing substance misuse	67%	42%	59%	^
Managing accommodation/avoiding eviction	82%	74%	77%	^
Better managing self harm	86%	74%	89%	^
2015/16 includes: Doncaster Foyer Braintree Foyer Newhaven Foyer Newhaven Young Mums Abbott Lodge Roseberry				

Asset management

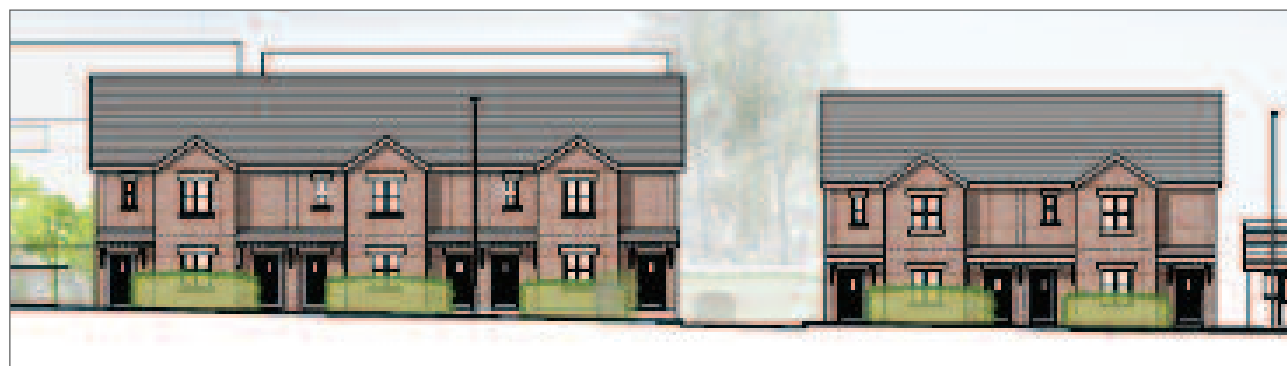
Developments

Streamside, Stroud

At the beginning of December 2015 saha successfully completed the development of 10 new one-bed apartments for affordable rent in Stroud, Gloucestershire. The apartments were designed and constructed on an existing saha owned site to maximise a previously underused car parking area, whilst maintaining sufficient spaces for new and existing residents.

As the site was surrounded by existing residential buildings and a busy narrow road, the project and construction teams worked extensively with residents to ensure they were kept fully informed and disruption was kept to an absolute minimum throughout the works.

The new residents were able to move into their brand new apartments in good time for Christmas and, alongside existing residents, were each treated to a hamper given by saha as a gesture of goodwill and thanks for their co-operation before and during construction.



37/38 Mendlesham Close, Clacton

A day centre that became redundant after funding was withdrawn has been transformed into four much needed homes for local residents.

After looking at a number of options, it was clear the priority was for one bedroom homes, and so we set about designing and adapting the building accordingly. The works started on site in January 2015 with demolition and alterations being undertaken. A new roof, ceilings, walls, electrics, doors, windows, kitchens, bathrooms and heating systems were installed, which transformed the building into desirable homes.

The work took 26 weeks to complete and a large number of people applied for the properties before they had even been finished. Handover took place in July 2015 and all the properties were occupied immediately due to the high demand.

The first residents to move in, Mr and Mrs Smith, said they were excited to be moving into a brand new home. "We love the kitchen and bathroom and there is so much space for our belongings".



The houses were fitted with Air Source Heat Pumps, which are a highly efficient way of providing heating and hot water. The houses also have high levels of insulation installed, which means the new residents will benefit from warm, cosy homes and reasonably low energy bills.



Asset management – continued

Mount Cross, Leeds

This project involved the conversion of a former hostel facility into three blocks of 29 new self-contained one and two-bed apartments for affordable rent, which was completed and successfully handed over in October 2015. The project is adjacent to saha's ongoing development site of 54 brand new homes that forms the wider masterplan, which is expected to commence a phased completion starting in August 2016.

The project also includes a new community hub facility within the former offices, where saha is working in partnership with The Salvation Army and the Local Authority to provide a range of initiatives, including social activities, educational, skills and employment programmes. The entire project was delivered through a combination of HCA grant funding and saha's own revenue investment.



Broad Lane, Leeds

This is a flagship development scheme for saha which involves the construction of 54 new one, two and three bedroom houses and apartments to create a new sustainable community for local people in Bramley, Leeds.

Saha has worked extensively with a range of stakeholders, including the Local Authority Housing and Planning teams and local residents, to bring the scheme to fruition. Construction began in March 2015 and is currently on target to commence phased handovers to new residents from August 2016.



Asset management – continued



Major repairs and planned maintenance

Saha invested £2.7m in a range of major repair projects throughout 2015/16 across our housing stock, including the installation of new bathrooms and kitchens, electrical upgrades, new heating systems, roofs, doors and windows, plus external decorations. The bulk of these works were carried out under two main regional contracts in London and the Midlands, which is the final phase of a three year strategy. Saha continues to ensure its housing stock complies with the Decent Homes Standard, and has sufficient financial resources to maintain this position in future years. This is supported by Asset Managers carrying out regular condition surveys of the stock and profiling the repair and replacement cycles and costs of components on its stock management database.

A key area of saha’s major repairs programme going forward is energy efficiency improvements to its stock. During 2015/16 a number of smaller projects involving the installation of items such as LED lighting, Air Source Heat Pumps and Quantum heaters were completed. In addition to this, saha has worked with its energy consultants to successfully apply for a number of grants to support these works, including the installation of new gas supplies and heating systems at a saha scheme in the North West of England. (See Caister Close case study opposite).

Responsive maintenance

During the financial year 2015/16, saha completed a total of 9,639 responsive repairs, ranging from emergency and 24 hours response to 20 working days and void property repairs, of which 98% were completed within the target time, 92% were completed first time, and 97% of appointments were kept. In addition to the responsive repairs service provided by contractors, saha also utilises a handyperson service within its Lifehouses to provide minor repairs, decorations and other similar services. This service completed a further 9,909 minor repairs, 99% of which were within target. Resident satisfaction with the overall repairs service for the year was 99%. Saha also benchmarks and monitors its performance in terms of repairs and maintenance with a range of other organisations, including private sector landlords, via the Asset Management Improvement Partnership (AMIP).

Asset management – continued

Case Study

Caister Close residents get a warm feeling

Following the completion of recent major improvement works, residents at Caister Close can expect to see substantial savings on their future energy bills, which should reduce by up to an estimated £480 each year.

Saha carried out the works at a total cost of £420,000, including £120,000 of energy efficiency grant funding, and involved the installation of a new gas mains and replacing the original electric heating and hot water cylinder systems with a full gas central heating system comprising a combination boiler that provides instant hot water. Saha also took the opportunity to replace the original timber external doors with new composite doors and the original timber windows with new UPVC double glazing.

The £120,000 grant funding covered the costs of installing new gas mains to the estate and helped contribute 50% towards the costs of the central heating installation.

Upon completion of the works, residents commented that they were really happy with the works carried out.

One comment received said, ‘you can really notice the difference and the whole house is warm. Before, I could only put on the electric heating for a few hours because the meter would just eat up the money. Some weeks, I was putting over £60 onto the electric meter just to get me a few hours heat a day.’

Another resident said, ‘Thanks saha, the heating has really made a difference and what with the new doors and windows, my home feels really cosy now. It’s great to have instant hot water and not have to wait an hour for the immersion to heat up and then you only get a tank full!’

In line with the feedback, customer satisfaction questionnaires were sent out to all residents. Of those who responded, all were completely satisfied with the quality and standard of works carried out.

To evidence the energy savings made by the improvement works, we compared the energy ratings of the properties before and after the works.

Before the works were done, the average Energy Performance Certificate (EPC) detailed a SAP rating of 54, which put the average property into a Band E rating. Following the works, the average SAP rating increased to 73, which puts the properties into a Band C rating (the higher the SAP rating, the more energy-efficient the property will be, and the cheaper the energy bills).

EPCs also detail what the average cost of heating and hot water is estimated to be over a three year period. Calculating these costs prior to and after the works were completed revealed that estimated average savings in the region of £480 per year could potentially be achieved by each resident. Whilst this demonstrates the key benefits of these works to both saha and our residents, the Board has approved a three year £5m investment programme to focus on energy efficiency improvements across saha’s stock, which should also help ‘transform lives’ for a great many of our residents.



New windows and doors

Risk management

Our ability to fulfil our mission relies on our continuing viability and as such the protection of our social housing assets from undue risk. We therefore take a risk averse approach to managing our social business, but at the same time acknowledge that the nature of our business and the environment we work in presents a number of risks over and above those faced by other providers of social housing and support. These include funding risks and risks associated with safeguarding the lives of vulnerable people. We see this as consistent with our mission and work to ensure that the benefits of our work far outweigh the risks.

Risk identification and management

Risks are recorded in our corporate strategy management system in accordance with business objectives. Individual risks are assessed and analysed according to their probability of occurrence and corresponding impact, the product of which gives rise to a risk score. Risk scores are regularly reviewed via a risk map by the Executive, the Audit Committee and the Board.

We operate a controls assurance framework that sets out for each risk:

- 1. The possible causes
- 2. The controls in place to manage each possible cause
- 3. An assessment of the effectiveness of those controls
- 4. The source of assurance for each assessment
- 5. Remedial action for any controls assessed as weak
- 6. Recovery plan in the event of risk crystallisation

During the year we expanded this framework to test the resilience of our business plan to stresses arising from multi variant risks. This is kept under regular review by the Executive, Audit Committee and the Board.

Risk management – continued

Key internal controls

Policies and procedures	We have written policies and procedures which are kept under review and cover a range of areas intended to manage risks effectively. These include safeguarding adults and children, data protection, IT security, code of personal conduct, whistleblowing, financial regulations, health & safety, and equality, diversity and inclusion.
Business continuity and disaster recovery plans	We have plans in place that are periodically tested, which minimise the risk of interruption to our business in the event of a major disruption to normal functioning arrangements.
Budget and financial plan	<p>We produce annual budgets, in accordance with a clearly outlined methodology, together with five and 30 year financial plans developed from a recognised and validated planning model. These, together with quarterly management accounts including a rolling cash flow, are reviewed and approved by the Board. Financial plans are stress tested for multi variant risks by the Executive and the Board.</p> <p>Monthly management accounts are produced and reviewed by the Executive Management Team.</p>
Insurance	We have a large and comprehensive portfolio of insurance with a preference to insure against risks where appropriate.
Clear delegation and limits of authority	We have a Board approved schedule of delegated authority (reviewed every two years) that sets out levels of financial decision making authority delegated by it.
External accreditation in key areas	We are a Sunday Times top 100 not for profit employer, with Investors in People accreditation at Silver standard. We have Customer Service Excellence accreditation for our Customer Service Centre and our IQI inspection service is ISO9001 certificated. In addition, we have Centre for Housing Support (CHS) and Elderly Accommodation Counsel (EAC) accreditations for our housing for older people and Foyer Federation accreditation for our Foyers for single young homeless people.
Resident scrutiny panel	We have a trained panel of residents who help to scrutinise services for quality and for compliance with regulatory customer standards. During the year, three areas were selected by the panel for scrutiny and reported to the Board – what it means to transform lives; anti-social behaviour; and value for money from allocations and lettings.

Internal and external audit	We employ internal auditors to provide independent assurance on the effectiveness of our risk management processes. During the year they were able to provide substantial assurance in this area. Our external auditors provide an independent opinion on the financial statements of our organisation and that the financial statements comply with all relevant accounting regulations.
Independent Quality Inspectorate (IQI)	Our IQI inspection service is a key driver of continuous improvement in the standards of our Agency and Directly Managed Supported Housing services.
Performance monitoring and reporting	We have a key performance indicator scorecard aligned to the strategic priorities of our corporate strategy. The Board receives regular reports on financial and operational performance and matters of potential strategic significance. The Executive reviews performance of the business on a monthly basis.
An effective Board	Board performance is appraised annually and externally facilitated every third year. Annual improvement plans are implemented following each appraisal.

Risk management – continued

Key risks and controls

The arrows denote the direction of movement in the risk score against the position in the previous quarter.

Investing in our people			
Ref	Description	Controls	Movement
1	Low levels of staff engagement and retention resulting in a reduction in added value and loss of key talent.	<ul style="list-style-type: none">Initiatives to stretch people and develop talentManagement capabilityCompetitive employee benefits offerRecognition and reward arrangements	< >
Investing in our residents			
Ref	Description	Controls	Movement
2	Reductions in local government funding of support services leading to reduced income and loss of business.	<ul style="list-style-type: none">Scheme by scheme exit strategiesAlternative model of supportHigh performing services with good local authority relationsDiversified business model	^
3	Welfare Reform adversely impacting the lives of our residents and our income.	<ul style="list-style-type: none">Raising resident awareness and signposting available supportPre-tenancy and sign up processes to manage risk of direct payments to residentsExempt accommodation status for supported housing schemes	v
4	Reliance on third parties to deliver key objectives of the corporate strategy and a failure to efficiently achieve mission.	<ul style="list-style-type: none">Management agreementsSalvation Army Cabinet level supportExit strategies	< >

Investing in our residents' homes			
Ref	Description	Controls	Movement
5	A failure to comply with gas safety regulations resulting in a potential loss of life.	<ul style="list-style-type: none">Robust policy and proceduresGood contractor performanceGood stock condition informationComprehensive gas servicing database	< >
6	A lack of alternative uses for some schemes resulting in poor asset returns and viability.	<ul style="list-style-type: none">Scheme by scheme exit strategiesAlternative delivery modelsContingency provisions in financial plan	< >
Investing in our business			
Ref	Description	Controls	Movement
7	Government policy decisions adversely impacting social housing providers and affecting all saha housing streams.	<ul style="list-style-type: none">NHF lobbying of GovernmentIncome diversification	< >
8	Further deterioration of the pension scheme fund resulting in additional costs to member associations.	<ul style="list-style-type: none">Increase in staff contribution ratesAlternative lower cost products available	v

Controls assurance

The Board acknowledges that it is responsible for the Association's system of internal control and for reviewing its effectiveness. However, it accepts that such a system is designed to manage rather than to eliminate the risk of failure to achieve business objectives. Therefore, such a system can only provide reasonable and not absolute assurance against material misstatement or loss.

The process we follow for identifying, evaluating and managing the significant risks we face is

ongoing, and has been in place for the year under review and up to the date of approval of the Annual Report and Financial Statements, and is regularly reviewed by the Board.

The Board has approved an Anti-Fraud, Bribery & Anti-Money Laundering Policy which covers employee responsibilities in respect of fraud and the necessary actions to be taken. The Anti-Fraud, Bribery and Anti-Money Laundering Register is updated whenever fraud or attempted fraud is detected. This register is regularly reviewed by the Audit Committee.

Risk management – continued

In order to fulfil its responsibility, the Board approves the following guidelines and key policies, which are essential to achieve effective internal control:

- Governance Handbook (incorporating Financial Regulations)
- Treasury Management Policy
- Anti-Fraud, Bribery & Anti-Money Laundering Policy
- Risk Management Policy
- Health & Safety Policy
- Data Protection, Confidentiality and Disclosure Policy
- Equality, Diversity & Inclusion Policy
- Rent Policy

The Board has a separately designated Audit Committee. The Committee engages the services of an Internal Auditor and has adopted a strategic approach to risk management and performance improvement.

Assurances are gained from a number of functions and processes. These provide key sources of evidence for the Board to utilise in reviewing the effectiveness of the Association's System of Internal Control. The relevant functions and sources are as follows:

Audit Committee

The Audit Committee is responsible for reviewing the adequacy and effectiveness of the Association's System of Internal Control and reporting its conclusions to the Board. This committee receives reports from both the Internal and External Auditors. The Executive attends this meeting, supported by other staff as required.

Internal audit function

We purchase an externally provided Internal Audit service whose work is carried out in accordance with International Standards.

The Internal Auditors report annually to the Audit Committee on the System of Internal Control, with an opinion as to the adequacy and effectiveness of key internal control systems. The Internal Auditor attends the Audit Committee to present reports and to report on management progress in implementing agreed recommendations. The work of the internal audit is planned, based on the results of an Audit Needs Assessment, which in itself is derived from a review of our main risks. A rolling programme is undertaken to cover all of our systems of control.

The Annual Internal Audit Report for the year ended 31 March 2016 states that in the opinion of the Internal Auditor, we have an adequate, effective and reliable framework of internal control and effective risk management and governance processes, which provides reasonable assurance regarding the effective and efficient achievement of the Association's objectives.

External audit

The External Auditor, in arriving at his audit opinion on the financial statements, assesses whether a satisfactory system of control over books of account and transactions has been maintained. Any material weaknesses in internal controls identified are reported to the Board and an action plan to address the weakness is agreed. The Management Letter for the financial year to 31 March 2016 did not contain any control issues.

Risk management

The risk management process is identified above. The risk assurance framework is reviewed on a regular basis and updated alongside the risk map.

The Executive Management Team meets monthly or more often if required. Part of the scope of the Executive Management Team is to review, monitor and summarise assurances to the Board through the Audit Committee on the effectiveness of the Association's internal control system, risk management and continuous improvement.

Reports from the Regulator

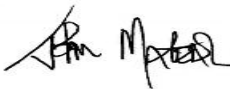
In accordance with guidance issued by the HCA, limited assurances are taken from reports issued by the Regulator.

The HCA set out its approach to the assessment of viability in the governance and financial standard of the HCA regulatory framework. The Association received the latest Regulatory Judgement in March 2016, which maintains the Association's grading as "G1, V2". It states that the provider has an adequately funded business plan, sufficient security in place, and is forecast to continue to meet its financial covenants under a range of scenarios. The report also notes that saha is a provider of specialist accommodation and this is a key structural element of its business. Continuing low surpluses are forecast to be generated from this activity, leaving the business with limited capacity to manage unexpected risks. The Association continues to review the contracts in place to mitigate these risks.

Training & personal development

Training plans and personal development are key objectives of our approach to managing human resources, encompassing both staff training needs analysis and Board Members' training. Regular staff supervision and annual appraisals help to identify learning and development needs, which are addressed through an ongoing training programme.

Commissioner
John Matear, Chair



28 July 2016

Governance Report

Governance Report

The Board

Commissioner John Matear	Chair, Independent	Appointed July 2012
Maggie Cameron-Ratchford (H)	Deputy Chair, Independent, HR & Remuneration Committee Chair	Appointed July 2011
Graham Roper (H)	Deputy Chair, Independent	Appointed November 2006 Resigned November 2015
Cathy Le Feuvre	Independent	Appointed July 2012 Resigned November 2015
Colin Ruston (H) (R)	Independent, R2R Panel Chair	Appointed January 2010 Deceased December 2015
Andrew Taylor (A)	Independent, Audit Committee Chair	Appointed May 2010
Peter Taylor	Independent	Appointed December 2015
Major Paul Kingscott	Salvation Army Nominee	Appointed May 2014 Resigned May 2015
Jennifer Laurent-Smart (H)	Salvation Army Nominee	Appointed May 2014
Major Hilarie Watchorn	Salvation Army Nominee	Appointed November 2009
Russell Parker	Resident Representative	Appointed March 2013
Jim Shearer (A)	Resident Representative	Appointed September 2014
Nigel Parrington (A)	Chief Executive	Appointed September 2006

(A) Audit Committee member

(H) HR & Remuneration Committee member

(R) Resident to Resident (R2R) panel

Governance Report – continued

The Executive

Nigel Parrington	Chief Executive
Nigel Hills	Deputy Chief Executive and Director of Finance
Puneet Rajput	Director of Corporate Services and Company Secretary
Geanna Bray	Director of Housing Services
Tony Bacon	Director of Asset Management

The Executives of the Association hold no interest in the Association’s share capital. They act within the authority delegated by the Board.

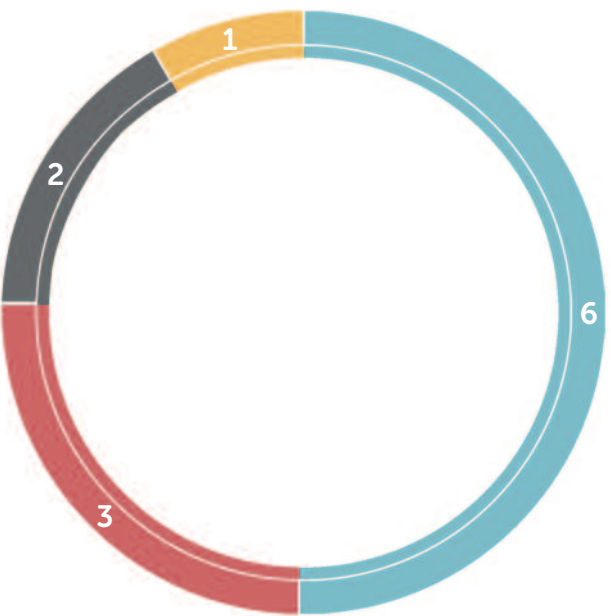
Board Governance

Board composition

During the year the Board comprised 12 members based on the composition set out below and in accordance with the Association’s agreed governance. The Board composition is kept under review to ensure that the skills, knowledge and experience of its members are, or will be, suitable to meet the current and longer term needs of the business and its strategic plans. The Board commenced a review of governance during the year and agreed principles for a smaller skills based Board, to be implemented in 2016/17. Board members are drawn from a wide background bringing together professional, commercial and customer experience.

The Board values diversity and recognises the benefits of having a diverse Board and the positive impact on the quality of decision making. The Board is clear that its aspiration and intent is not only to have a balanced and diverse Board, but also a workforce that reflects the diversity of the communities saha serves. This is consistent with

the Association’s policy on Equality, Diversity and Inclusion. Changes in the female and ethnic minority composition were due to vacancies at the year end.



- Independents
- Group Parent Nominees
- Resident Reps
- CEO



The role of the Board

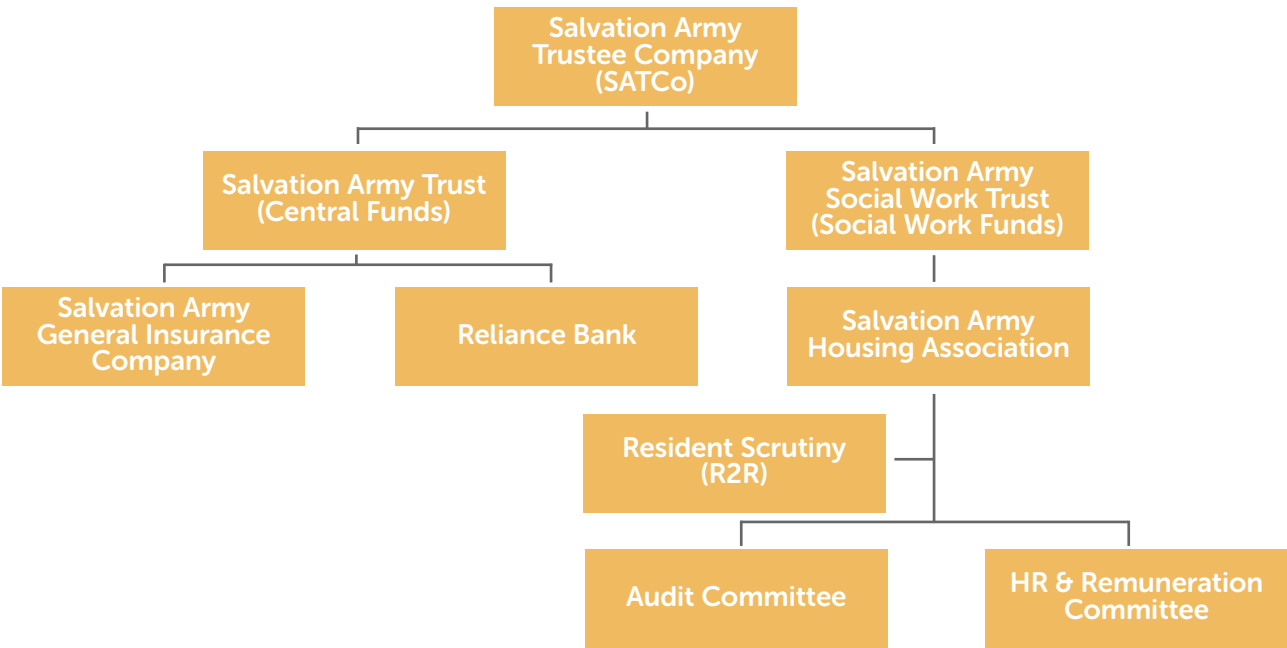
The role of the Board is to provide effective leadership of the Association within a framework of prudent and effective controls which enable risks to be assessed and managed well. It develops and promotes its collective vision of the Association’s purpose, its culture, its values and the behaviours it wishes to promote in conducting its business. The Board is responsible for the Association’s strategic planning and delegates the day-to-day management of the Association to the Chief Executive and other Executive Officers who attend meetings of the Board. In particular, the Board:

- determines strategy and outcomes and provides direction for management to enable the Association to achieve its vision
- creates a performance culture that drives achievement without exposure to excessive risk
- makes well informed and high quality decisions based on a clear and accurate understanding of the business

- creates the right framework for supporting the executive to meet statutory duties and regulatory obligations
- is accountable and transparent in all it does
- delegates day to day management to the Association’s staff
- embraces regular evaluation of its effectiveness
- accepts diversity in its composition as an important driver of its effectiveness by creating a breadth of perspective
- appoints the deputy chairs, the chairs of the committees of the Board, Board members of the Association’s subsidiary Boards (and their chairs) and the chair of the Board complaints appeal panel

Governance structure

The Association’s governance structure within The Salvation Army group is set out below:

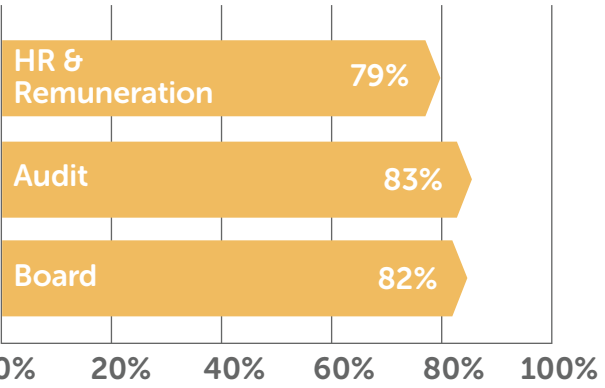


Governance Report – continued

The Association’s governance framework helps to ensure excellent leadership from the Board and makes accountability real to residents, the regulator and other stakeholders. The framework helps to provide for:

- a) Effective relationships within saha, its Board, staff and residents that help the Board to monitor performance and make well informed, well judged and transparent decisions
- b) Effective intra group relationships with The Salvation Army and its other subsidiaries that help to deliver added value services both to saha and its residents
- c) Effective financial management, risk management and control to secure continued viability and growth

Attendance record 2015/16



The target level of attendance for Board and Committee meetings is 80% plus.

The Board met formally seven times during the year. The Audit Committee, comprising three members and three co-opted members, met four times during the year. The HR & Remuneration Committee, comprising three members and two co-opted members, met three times during the year.

Key areas of focus during the year

Strategic

- Development of a new five year corporate strategy
- Acquisition opportunity
- Business plan stress testing
- Strategic risk management and controls assurance
- Strategic review of assets and liabilities
- Annual budget
- Development of a new target operating model

Governance and Compliance

- Compliance with service standards
- Value for Money self assessment
- Governance compliance assessment
- Regulatory financial viability review
- Board appraisal and improvement planning
- Annual financial statements
- Financial forecast return
- Committee briefings
- Financial Reporting Standard 102 implementation

Key Policy Reviews

- Health & Safety
- Annual Financial Treasury Plan

Performance

- Management accounts
- Business plan
- Operational performance
- Resident scrutiny reporting
- Development programme

Board appraisal

The Board commissions an externally facilitated appraisal of its effectiveness every three years with an internally facilitated review in other years.

The appraisal considered the balance of skills, experience, independence and knowledge of the Board, its diversity, how the Board, its committees, the Chair and individual Board members performed and worked together and other factors relevant to effectiveness.

The appraisal confirmed the Board to be performing well with no significant concerns expressed by members. The main area for improvement going forward was to conclude outstanding elements of a governance review commenced during the year.

Board learning and development

The Board receives business briefings on saha’s activities and topical issues as required. Board members are encouraged to undertake visits to sites and schemes as part of their own learning and development. New Board members receive a tailored induction and general ongoing training is arranged in accordance with identified learning needs or as Board members may request. Minutes of various meetings, reports and briefings are also made available to the Board on line. The Company Secretary briefs the Board on any changes to the code of governance or regulation. The Chief Executive provides a regular briefing report to the Board on the operating environment and any potential impact on the Association.

Code of governance compliance

The Association has adopted recommendations for best practice in governance and conduct contained in the National Housing Federation’s Excellence in Governance published in 2010 and Code of Conduct published in 2012. It is committed to upholding these codes. The Chair is required to be a practising Christian and have a good understanding of The Salvation Army. This deviates from best practice within the NHF code.

The Chair and the Resident Board members are paid positions. Payment levels are based on National Housing Federation guidance and are set at £10,000 pa for the Chair and £3,000 pa each for the Resident Board members. In total this represents 0.03% of the Association’s turnover for the year.

Regulatory compliance

The Association has performed a self-assessment of compliance with the Regulatory Governance and Financial Viability standard and can confirm compliance with the standard.

Governance Report – continued

Report of the Board

The Board presents its report together with audited financial statements for the year ended 31 March 2016.

Statement of the Board's responsibilities

The Co-operative and Community Benefit Societies Act 2014 and housing legislation require the Board to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Association and of the surplus or deficit of the Association for that period.

In preparing those 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 accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business

The Board is responsible for maintaining an adequate system of internal control and keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and to enable it to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and The Accounting Direction for Private Registered Providers of Social Housing 2015.

The Board is also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Operational framework

With effect from 1 April 2012, Registered Providers have been assessed against the framework introduced by the Localism Act 2011 and, in particular, specific standards in respect of economic and consumer regulation.

We have a fully funded financial business plan which is based on prudent assumptions. Sensitivity testing undertaken on the financial plan gives assurance that the plan is robust. This is noted in the HCA report.

The majority of the Supporting People funding shown in the financial statements is received by our preferred partner, The Salvation Army. Where operational deficits arise on this activity, The Salvation Army contributes to top up shortfalls in Supporting People funding grant on Salvation Army agency managed activity.

We continue to review all controls identified in the risk controls assurance framework.

In respect of governance, the HCA notes that the intra-group agreement with The Salvation Army allows sufficient autonomy to achieve strategic priorities and key objectives as set out in the corporate strategy.

Performance in the year

Turnover and operating surplus by activity is shown in note 2A and 2B of the financial statements.

The following table shows the turnover and surplus over the past two years:

	2016	2015
	£000's	£000's
Turnover	41,009	42,409
Operating costs	(37,244)	(38,917)
Surplus on disposal of fixed assets	499	–
Net interest payable	(1,075)	(2,700)
Movement in fair value of financial instruments	–	2,485
Surplus for the year	3,189	3,277

The following table shows the Statement of Financial Position for the past two years:

	2016	2015
	£000's	£000's
Total fixed assets	147,059	147,357
Net current assets	1,758	898
Loans and other long term creditors	(112,210)	(114,837)
Reserves	36,607	33,418

Communication to stakeholders

We communicate performance and other information through resident newsletters, via our website and using various social media. This report sets out an assessment of performance on value for money. It is located on our website and is signposted to relevant stakeholders, including residents, managing agents, consultants, suppliers, and lenders.

Investment for the future

The Board is committed to spending in line with the stock condition plan incorporated within the business plan each year to maintain and improve its existing housing stock. It endeavours to achieve an economic and pro-active approach to maintaining and investing in its stock through programmed major works such as replacements of roofs, windows, kitchens, bathrooms and heating systems. The Board has also committed £5m of investment from the major repairs fund to undertake specific energy efficiency improvement works to the Association's properties over the next five years.

Governance Report – continued

Capital structure and treasury management policy

We have a Treasury Management Policy governing all of our borrowings and investments. It has been prepared in consultation with Capita Asset Services (Treasury Solutions) and is based on guidance issued by The Chartered Institute of Public Finance and Accountancy (CIPFA). Our policy is to achieve a satisfactory return while minimising risk. The overriding principle is to avoid risk rather than to maximise return.

In the case of borrowing, the objective is to minimise cost consistent with ensuring the stability of our financial position by sound debt management techniques. Borrowings are within the limits set out in our Rules and the HCA, and subject to a Policy and Strategy agreed annually by the Board.

We will not undertake currency risk and accordingly will not borrow or deposit funds denominated in foreign currencies.

Borrowings at the year end were £21.3m (2015: £22.9m). This debt is borrowed wholly from banks in the UK and The Housing Finance Corporation (THFC).

Treasury management is the responsibility of the Director of Finance. The Treasury Management policy is reviewed annually and approved by the Board.

The current policy is to maintain between 25% and 80% of borrowings at fixed rates of interest. The actual level of fixed rate borrowings is currently 75%.

An Annual Financial Plan is prepared by the Director of Finance as part of the Treasury Management Policy reporting requirements.

Maturity profile: the next table provides an analysis of when the Association’s debt falls due for repayment:

	2016	2015
	£000's	£000's
< 1 year	1,676	1,633
1 – 2 years	1,650	1,676
3 – 5 years	3,257	3,930
> 5 years	14,739	15,716
	21,322	22,955

We do not use hedging instruments other than occasionally to fix variable rate debt at the time of drawdown, dependent on Treasury Management decisions. A rule change would be required to enable hedging to be undertaken at other times and it is not intended to seek such a change as it is considered by the Board that adequate control over interest rate arrangements currently exists.

Surpluses are invested in approved UK institutions meeting the credit rating criteria determined within the Treasury Management Policy.

Compliance against loan covenants is as follows:

Key loan covenants		2016	2015
Income cover	level	> £0	> £0
Surplus excluding property depreciation	actual	£6.68m	£6.75m
Cash balance	level	> £1m	> £1m
	actual	£8.82m	£7.72m
Gearing	level	< 60%	< 60%
	actual	17%	18%

The updated 40 year financial business plan in respect of all lenders continues to demonstrate compliance with covenants.

Cash flows

We experienced a net increase in cash and bank balances in the year of £1.1m (2015: £0.5m decrease), and a net decrease in loans of £1.6m (2015: £1.2m decrease).

Current liquidity

Cash and bank balances at the year end were £8.82m (2015: £7.72m). Net current assets were £1.76m (2015: £0.9m).

Going concern

The Board believes we have adequate resources to fulfil operational activity for the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing the financial statements.

Statement of compliance

The Board confirms that this annual report and review have been prepared in accordance with the principles set out in Part 2 of the 2014 SORP for Registered Social Housing Providers.

The Board also confirms that the Association has complied with the HCA’s Governance and Financial Viability Standard.

Movement in fixed assets

Details of movements in fixed assets are set out in notes 9, 10 and 11.

Policy on employment

Our aim to provide the highest possible service delivery is dependent upon a skilled, informed and committed workforce. We recognise employees as being a major strength and place great emphasis on adopting an Advantaged Thinking approach in coaching and supporting employees to realise their potential. Staff are appropriately trained and supported, through supervision, team meetings, appraisals and identifying training needs, all on a regular basis.

We are continually developing and expanding training opportunities for staff, with national training programmes, workshops, individual training courses and coaching.

We embrace diversity and foster inclusion through the implementation of inclusive working practices. All staff regularly undertake training in equality, diversity and inclusion.

Governance Report – continued

We strive to ensure that staff are working in a safe environment and are adequately trained in Health & Safety to carry out their everyday tasks with minimal risk to themselves and others. A separate Health & Safety staff group reviews Health & Safety good practice and compliance.

Rent policy

We set rents in accordance with The Regulatory Framework for Social Housing – Rent Standard Guidance 2012. We have produced a rent plan which incorporates the principles of Rent Restructuring, as determined by the Housing Corporation's (now Homes and Communities Agency) response to the December 2000 housing policy statement, 'Quality and Choice: a decent home for all – The way forward for housing'.

The plan provides details of current and future rent levels, which allows us to meet our obligations to residents, to maintain our stock and to continue to be financially viable, including meeting commitments to lenders.

Reserves policy

We retain any surplus over expenditure by making a transfer to reserves. The Association sets a minimum target of 2% surplus against annual turnover. The classification of reserves depends on the source of the surplus and whether any restriction is placed on its use.

Any surplus generated which is subject to external restrictions is held as a restricted reserve.

Long term stock and maintenance repair policy

Our Asset Management Strategy is based on the stock condition information, and targets ongoing compliance with statutory and regulatory standards and guidelines, as well as recognised industry best practice. The strategy achieves excellent customer service and value for money

through the efficient procurement of goods, works and services, and economies of scale wherever possible.

Internal control

The Board's statement on the annual review of the effectiveness of the Association's internal control system appears in the strategic report section within this annual report.

Members of the Board statement

The members of the Board have taken all of the necessary steps to make themselves aware of any information relevant to the audit.

The members of the Board confirm that they have given the Auditor, Nexia Smith & Williamson, all the relevant information needed in connection with performing the audit.

Auditor

Following an audit tender, a resolution to appoint Grant Thornton as auditor for 2016/17 will be laid before the Annual General Meeting.

BY ORDER OF THE BOARD



Company Secretary

Mr P Rajput

28 July 2016



Value for Money

Value for money (VfM)

In this section of our annual report we set out the extent to which we have delivered value during the year. VfM is a theme that is embedded within the four strategic priorities of our corporate strategy 2013/16, which is the primary driver for business effectiveness.

Our approach to ensuring VfM continues to be based on:

- a) regular progress reporting to the Board on the achievement of our corporate objectives
- b) an assessment of the performance of our assets and resources by each business activity area based on the financial, social and environmental return achieved by those assets and resources. This includes their past performance, current performance and future target performance
- c) using both qualitative and quantitative reporting
- d) seeking independent assurance from our internal audit service and our resident scrutiny panel (R2R)

We measure performance on VfM through an assessment of the inputs, outputs and outcomes for each area of our business activity.

Assessment 2015/16

Human resources

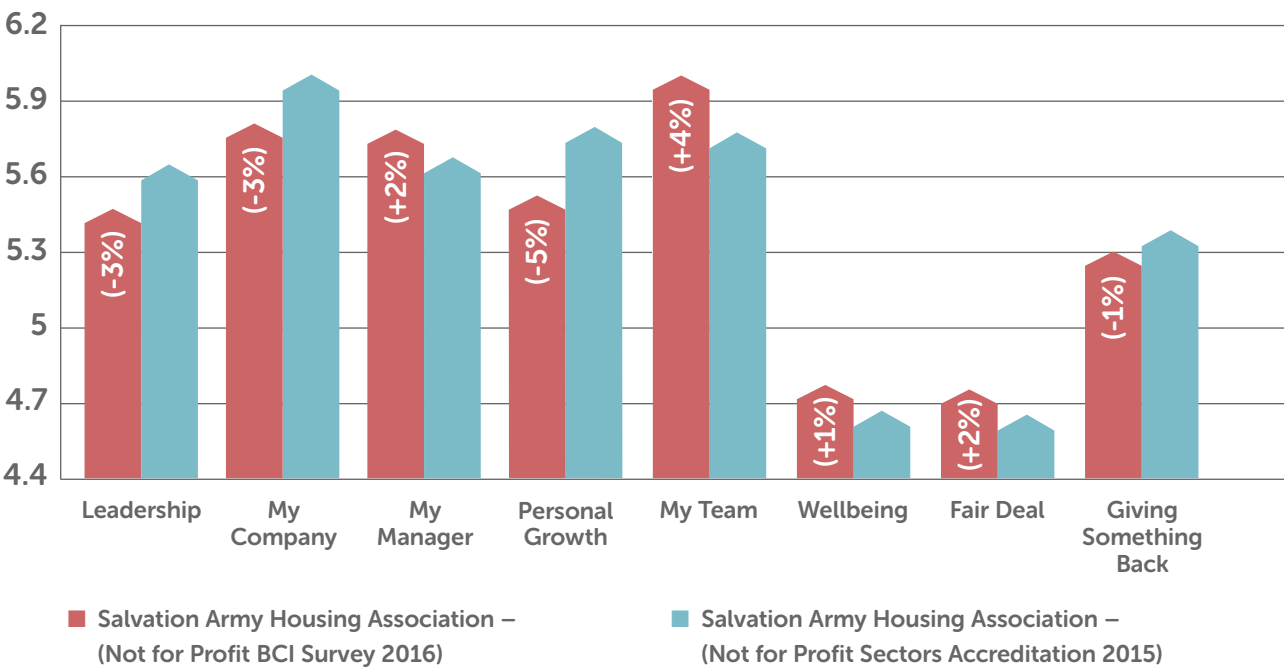
Investing in our people has featured as the first of our four strategic priorities over the life of the corporate strategy. We create value for our employees by:

- Providing learning and development opportunities for their continuing professional development with appropriate targets and performance measurement
- Creating a working environment that is conducive to their health, safety and wellbeing

- Providing an equality of opportunity for all and fostering inclusive working practices that aid cross-departmental working so that key objectives of our corporate strategy are delivered more efficiently
- Embedding a culture of ‘Advantaged Thinking’ supported by employment policies and benefits that create a rewarding place to work where people readily “go the extra mile”

Workplace engagement is the key to creating value for our residents through better quality services and a superior customer experience for our residents. We measure workplace engagement via the external Sunday Times Best Companies annual survey and for 2015/16 we retained our two star accreditation score. We also improved our position in the Sunday Times not for profit organisations, ranking 27th compared to 41st the previous year and the 14th highest in terms of housing associations.

Overall by Factor



Source: Best companies employee engagement survey

Employee turnover at the end of the year was 25% against a target of 20% and 3% higher than the previous year. This remains an area of relative poor performance when compared to the HouseMark national median of 15.7% for all providers and the Skills and Projects Benchmarking (SPBM) national median of 11.15% for smaller supported housing providers. It remains a key area for improvement during 2016/17 with a continuing view to achieving the HouseMark median level.

The average number of days’ sickness absence for the year was 7.7 days per person. Whilst this was not as good as the previous year’s average of 6.5 days, it was comparable to the Chartered Institute of Personnel & Development (CIPD) national average of 7.6 days and better than the

HouseMark national median of 8.74 days. The SPBM national median was 7.1 days. A renewed emphasis on sickness and retention by the HR & Remuneration Committee has led to a review of good practice and amendments to procedures.

During the year our staff undertook an average of 30 hours of continuing professional development. This was a slight reduction on 32 hours per person in the previous year, against an annual target of 35 hours. We assess the return on our investment in our employees’ learning and development to understand how both the organisation and the individual have benefited to ensure value and efficiency. This is a feature of our Investors in People assessment and our higher level of accreditation at the Silver standard.

Value for Money – continued

Financial resources and environmental

VfM has traditionally focused on finance and the relative scarcity and vulnerability to deterioration of our financial resources, which directly affects our ability to create and sustain value. We have outlined new savings captured during the year in the knowledge that there are some initiatives captured in previous years that continue to have a beneficial financial impact. We achieved further efficiencies of £537k, equivalent to 1.3% of our turnover in 2015/16. These are broken down in the assessment below:

Efficiency	2015/16	2014/15
	£000's	£000's
Procurement initiatives (b)	130	81
Energy initiatives (c)	59	64
Efficiency initiatives (d)	17	17
National Water Contract (e)	62	62
VAT and other tax savings via Development subsidiary (f)	28	116
Banking review (g)	6	6
Treasury Management (i)	235	258
Total	537	604

- a) The condition of our homes and quality of responsive and planned repair programmes are a high priority for our residents. During the year, the Association completed almost £3m of major repairs, achieving an average customer satisfaction rating of 98% (2015: 96%).
- b) We achieved a procurement saving of £30k by undertaking stock condition surveys in house and utilising existing staff resource and data systems instead of using external surveyors.

In addition, saha worked with a consortium of local authorities to secure grant funding from the Department of Energy and Climate Change to install new gas central heating systems. The direct benefit to saha was £71k enabling new gas central heating systems to 37 properties in the North West. This followed initial funding for new gas mains which was undertaken in 2014/15.

Maintenance services were retendered in the North East and Midlands achieving combined savings on current contracts of £29k.

- c) The introduction of motion sensors, energy efficient lighting, water saving devices and efficient boiler systems continues to enable reductions in service charges to residents. The successful achievement of grant funding from Affordable Warmth Solutions to fully fund new gas mains installations to 32 properties in St Helens has led to savings and funding to the value of £59k.
- d) As part of the efficiency initiative programmes, saha successfully registered with the Renewable Heat Incentive (RHI) and received payments from Ofgem for the installation of Air Source Heat Pumps (ASHPs) in Essex, with a capital value of £14k.
- e) The re-engineering and re-tendering in 2013/14 of our national water management contract continued in 2015/16 resulting in an annual saving of £62k per annum.
- f) VAT savings of £28k were achieved through our subsidiary development company.
- g) A review and restructure of our banking facilities in 2014/15 continues to result in an annual saving of £6k.
- h) Overhead cost as a percentage of turnover was maintained at 10.5% compared to 10.4% in 2015 despite a reduction in turnover of 3.3%.

- i) Good treasury management of our cash balances continued to ensure VfM in the pricing of our loan portfolio. We managed to maintain an average margin of 0.8% on an outstanding loan balance of £19.6m. Current margins average 2% to 2.5%, which continues to indicate a net efficiency of at least £235k pa to the Association.

We budget to achieve a 2% net margin (net surplus as a percentage of turnover) to ensure that future management programmes are fully funded. Our prudent forecast is to increase and maintain our net margin to over 3%, as set out in the table below:

£,000's	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Turnover	41,009	39,320	39,883	40,311	40,663	41,434
Surplus	3,189	1,382	1,355	1,651	1,393	1,505
Net margin	7.78%	3.51%	3.40%	4.10%	3.43%	3.63%

Any favourable variance against budget enables the Board to make resourcing decisions in relation to corporate objectives and achieve greater value for money through utilising efficiency savings in a customer focussed and viable manner.

The performance achieved above budget during 2015/16 enabled us to release up to £100k to bring forward specific planned maintenance programmes in accordance with our residents’ priorities and strategic priority of investing in our residents’ homes. We successfully worked with our contractors to achieve this in the most cost effective way. We are able to be flexible in our approach to asset management by enabling budget efficiencies during the financial year.

Asset utilisation

During the year 2015/16, saha developed 43 new homes for affordable rent by utilising spare land through infill development and converting existing redundant buildings, which was funded through a combination of HCA grant, private finance and reinvesting saha surpluses. Saha also consolidated its office locations within London thereby enabling the organisation to achieve a capital receipt of almost £0.5m.

Saha has undertaken a range of energy efficiency improvements, and managed to attract significant grant funding to support these projects. It has also developed a forward programme of future projects as part of the Board’s three year, £5m financial commitment for energy efficiency.

Saha has developed a fully functioning Assets & Liabilities Register which identifies a number of performance measures and data ranges for its

Value for Money – continued

stock that is being utilised to analyse, model and inform future investment and asset management strategies. During the year we achieved our disposal target of £500k and have commenced a revised allocations process to deliver short term lettings in a building identified for disposal.

We achieved an overall financial return of 2.62% (2015: 1.40%) on our total fixed assets, which exceeds our target of 1.5%. The potential to

achieve a return on assets is assessed against our trading activity accounts, which include all income streams and associated costs relating to individual activities. Our target is set taking into account the supported housing nature of our business and the diminishing revenue funding that we rely on. The returns we achieve on our assets across our social housing activities are set out in the table below:

Social Housing Activity	Return On Assets	
	2015/16	2014/15*
General Needs Housing	2.33%	1.13%
Supported Housing and Housing for Older People – Agency Managed	2.29%	1.68%
Supported Housing and Housing for Older People – Direct Managed	4.74%	2.11%
Supported Housing Foyers – Direct Managed	3.76%	-1.91%
Total	2.62%	1.40%

* restated re FRS 102 transitional adjustments

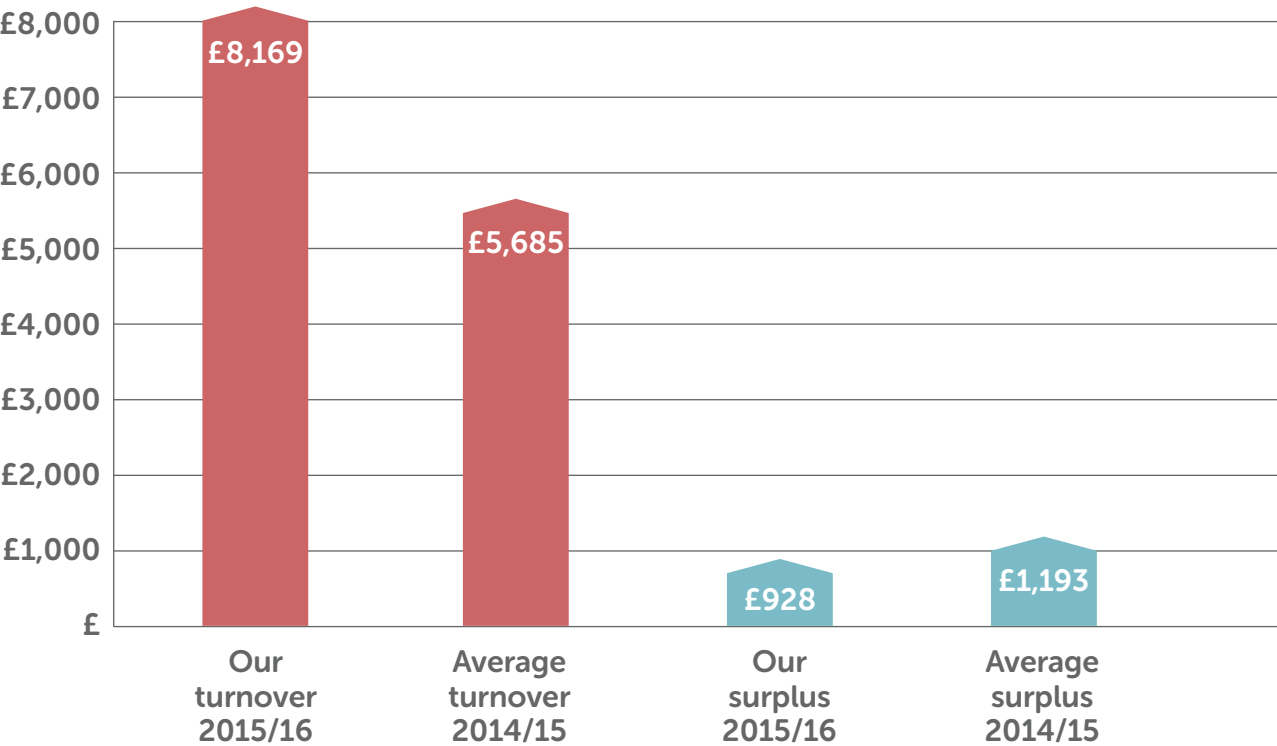
The economic performance of our assets alone only reveals a partial picture about our business and our purpose. The adverse movement in supported housing return on assets is indicative of the increasing financial constraint on Supporting People funding which helps to fund the primary purpose of our organisation and our mission.

A more comprehensive assessment of VfM includes consideration of our ‘social dividend’. We define this as the rental income sacrificed by not renting our property assets at market value; or put another way, the cash saved from the Housing Benefit bill. For saha the difference between our social rents and the market rents generated a social dividend of £4.8m for the year (2015: £3.7m) which assisted the Government in delivering added value for other social services.

Benchmarking financial performance

We have benchmarked key financial indicators of performance from our 2015/16 financial statements against a group of nearly 100 housing providers with up to 5,000 units of accommodation, using the HCA’s global accounts for that peer group for 2014/15. The benchmarking reveals a lower level of surplus against a higher level of turnover per social housing unit. This is because we incorporate income and costs from schemes managed by The Salvation Army. Their costs include the provision of services such as furniture provision for residents when they move into the community. This supports our mission at no cost to saha. The percentage surplus is, therefore, lower against turnover than other traditional organisations.

Turnover per social housing lettings unit and overall surplus per unit (1-5,000 unit association)



Source: HCA global accounts 2014/15 v saha 2015/16

Saha is one of seven supported housing associations identified within the Global Accounts as having more than 30% Supported Housing. Saha has 54% of supported housing, yet in terms of Headline Social Housing Costs and Management Costs for the group, we are within the lower quartile. Our target for next year is to segment our services into General Needs and support activities and target a median position against the overall sector.

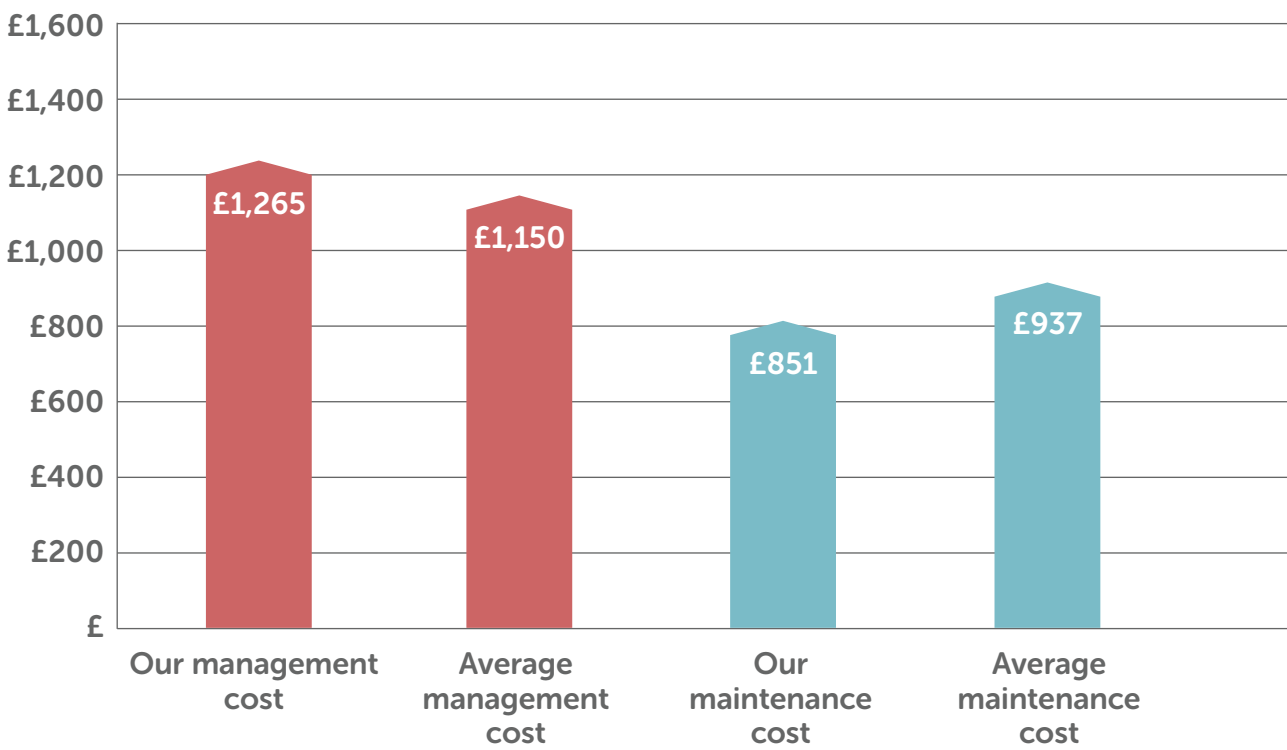
Value for Money – continued

Given the nature of service provision in relation to Lifehouses, Foyers and Directly Managed accommodation, management costs are higher than the benchmark. The ‘contribution’ received by The Salvation Army ensures that our operational costs and any shortfall in excess management costs are met and the financial risk to the Association is mitigated.

This indirect ‘contribution’ to our services means that, despite cuts to Supporting People funding, our parent subsidises and maintains services to rough sleepers. This provides an important contribution to community safety and community cohesion whilst also protecting the continuation of saha’s rental stream.

For our VfM 2015/16 assessment we have further analysed this peer group down to six support organisations of similar size and supported housing operation, which were highlighted in the same grouping as saha in the recent HCA communication in respect of registered providers’ Costs Per Unit (CPU). These comparisons are shown as follows:

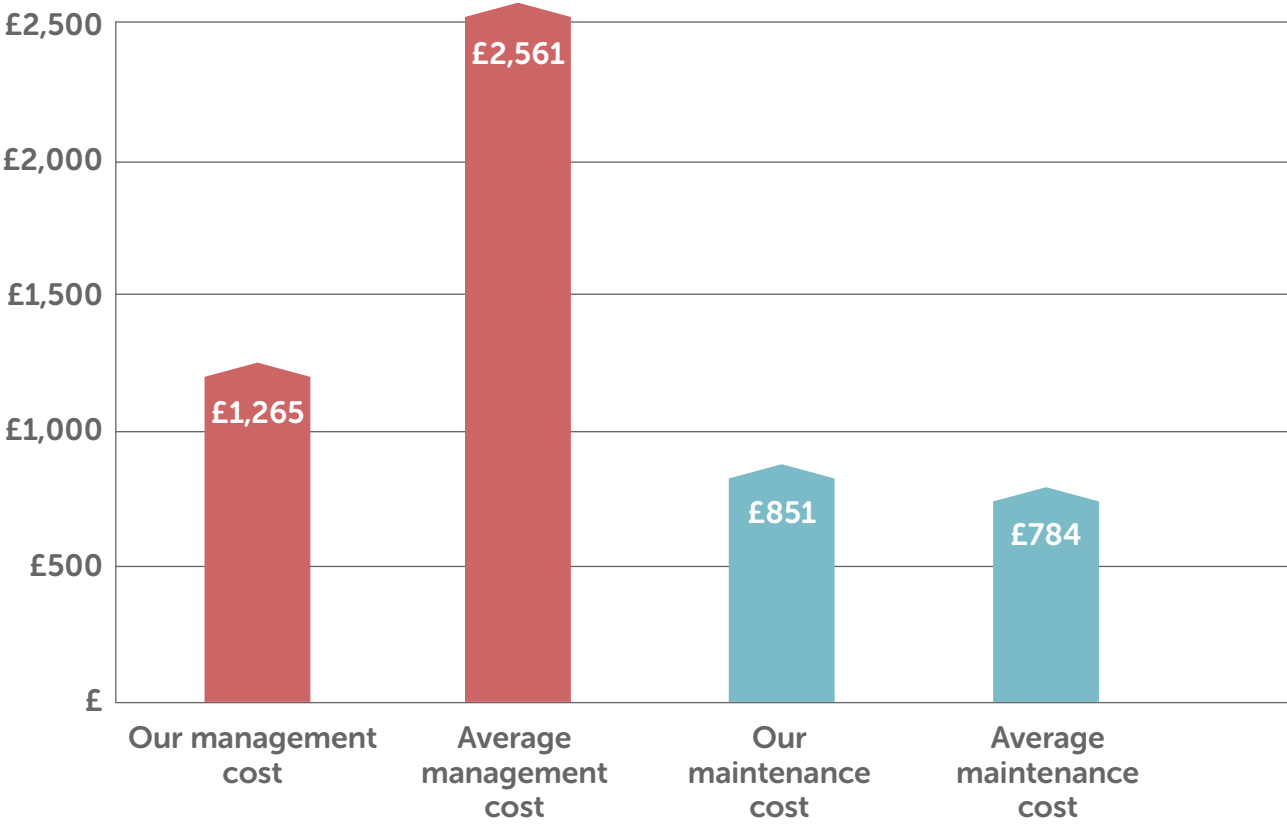
Operating costs per social housing unit (1 – 5,000 unit associations)



Source: HCA global accounts 2014/15 v saha 2015/16 management accounts analysis

Overall maintenance costs across this provision are lower than the benchmark group average.

Operating costs per social housing unit (supported housing peer group)



Source: HCA global accounts 2014/15 (Maintenance cost is the cost of routine and planned repairs) and saha 2015/16 management accounts analysis

Value for Money – continued

HCA analysis of costs

The HCA has recently issued cost per unit communications to all registered providers as they start to analyse why different organisations show differing levels of cost for similar functions. We have analysed our CPU across all the different trading activities in an attempt to identify CPU for General Needs activity against all other types of our supported housing. Saha is striving to ensure we maintain the median level for this activity and we plan to make further efficiencies as we introduce our target operating model (TOM) over the next three years. The TOM is being externally validated by Altair. This approach has been adopted after discussion with Housing Quality Network (HQN) following the Board’s review of

our cost base. It should be noted that this smaller benchmark group provides a wide range of support services to a diverse customer base.

Saha’s headline costs as reported in the recent HCA letter are shown below against the benchmark group average and median. The sector level data is also shown. Furthermore we have included the 2015/16 reported headline CPU figures drawn from our management accounts to analyse fully the elements that make up our overall CPU. The CPU for 2015/16 is impacted by the FRS 102 adjustment for pension liability. Without this FRS 102 adjustment the other social housing cost would be £3.98k, giving an overall social housing cost of £10.15k (2015: £10.30k), representing a reduction of 1.5%.

	Headline Social Housing Cost CPU (£k)	Management CPU (£k)	Service Charge CPU (£k)	Maintenance CPU (£k)	Major Repairs CPU (£k)	Other Social Housing Costs CPU (£k)
Saha 2014/15	10.30	1.36	2.98	0.90	0.94	4.13
Saha 2015/16*	10.34	1.27	3.14	0.85	0.91	4.17
Benchmark Group Average 2014/15	21.03	3.97	3.39	1.29	0.52	11.85
Benchmark Group Median 2014/15	16.30	4.52	2.94	1.1	0.69	6.43
Sector Level Data 2014/15						
Upper Quartile	4.3	1.27	–	–	1.13	0.41
Median	3.55	0.95	–	–	0.8	0.2
Lower	3.9	0.7	–	–	0.53	0.08

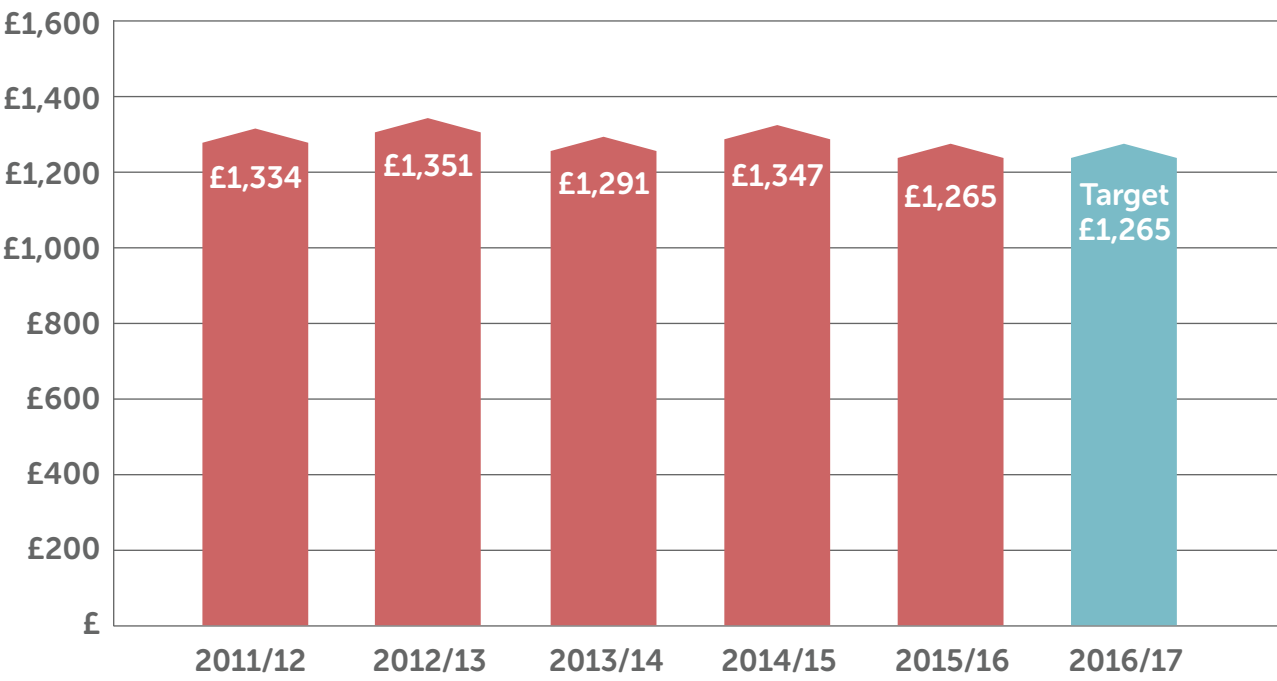
* The 2015/16 CPU is derived from saha management accounts analysis

The 2015/16 management CPU shows a 6.6% reduction on the 2014/15 figure and saha is now at the upper level quartile for the sector as a whole even as a supported housing provider with higher management costs.

As we have succeeded in achieving this reduction in our overall management costs during 2015/16, we will maintain this level for 2016/17 (excluding TOM-associated investment costs) prior to setting the final targets as we implement the new TOM over a three year period. We are adopting a stepped reduction in the implementation of the TOM and phase one is to concentrate specifically on reducing management CPU. Maintaining the level achieved in 2015/16 will then lead to setting a target of a further £250k reduction in 2017/18, or year two of the implementation plan, to achieve levels seen in overall sector performance.

The majority of the other social housing elements to the value of £4.17k CPU (2015: £4.13k CPU) is predominantly made up of the cost of providing support directly and via our parent, The Salvation Army, to the sum of £3.26k CPU. The excess cost of this support and the valuable programmes provided is supplemented by The Salvation Army. This means services are maintained that otherwise would suffer serious reductions in Supporting People, and the responsibility of the NHS and other public bodies of providing such services is thereby mitigated.

Management CPU



Source: HCA global accounts 2014/15

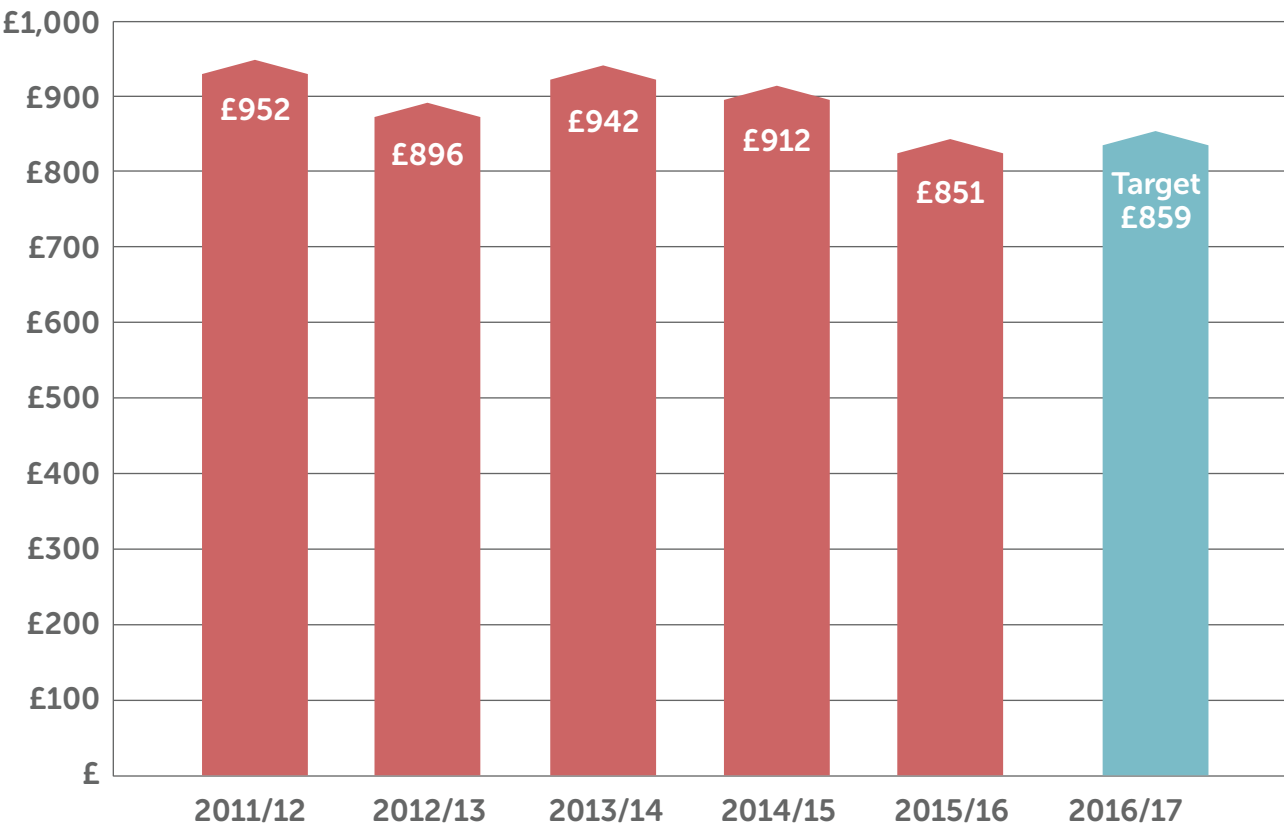
Value for Money – continued

We continue to review maintenance budgets annually in line with spend profiles and known maintenance requirements in order to maintain a balance between investing in our principal asset –

property – whilst being conscious of rental yields, mission and maximising efficiency. The profile of the agreed maintenance costs for the year to 31 March 2017 is shown in the following table:

If we rebase 2016/17 budget costs back to 2011/12 levels adjusting for inflation, we have achieved a cost reduction per unit as follows:

Maintenance CPU



Source: HCA global accounts 2014/15 (Maintenance cost is the cost of routine and planned repairs)

As we have succeeded in achieving a 6.1% reduction in our overall management costs during 2015/16, we will maintain this level for 2016/17 (excluding TOM associated investment costs) prior to setting the final targets as we implement the new TOM over a three year period. We will

continue to review programmes to ensure any efficiencies are maximised in order to achieve this aim as we undertake a programme of investment in future digital technology as part of the TOM and provision of service delivery to our customers.

Cost per social housing unit	2011/12 (£)	2016/17 budget/target (£)	2016/17 rebased (£)	Efficiency per unit (£)	Reduction (%)
Management	1,334	1,265	1,098	236	17.7%
Maintenance (routine & planned)	952	859	746	206	21.6%

Social value

Key social indicators of VfM highlight the following:

At each of our Directly Managed Supported Housing schemes, the range of activities and projects undertaken is vast. To capture every single activity and translate that in terms of the measure of social return and social value they create would be impractical. In order to understand and establish the social impact of the various activities across its Directly Managed services, saha has been using the HACT social values wellbeing toolkit. This year the model has been applied to an agreed number of specific projects representing a range of activities across our supported housing, in order to provide an indicator of our overall social return on investment. Those assessments have been externally validated by HACT and have demonstrated an overall net social value of around £697k.

Africa Dare to Dream

In October 2015, a small staff group supported residents from saha’s Foyers during a 10-day trip to KwaZulu, Natal in South Africa. The aim of Dare to Dream was to provide an experiential learning programme in South Africa where the impact for

each person would be an individual and life changing event. The programme aimed to provide young people and staff with hands-on experience in conservation, survival, the environment, community and cultural diversity. The journey of self development involved both emotional and physical challenges that took them out of their comfort zones.

The HACT model was applied and the associated values indicated a social return of £3.11 for every £1 invested. The net social value that this activity generated was £72,000.

Back of the Net at Newhaven Foyer

This was the second year that Newhaven Foyer ran the Back of the Net programme in conjunction with Brighton and Hove Albion’s ‘Albion in the Community’ programme. Newhaven Foyer accommodates young people who are experiencing homelessness and also have complex needs, and so engaging young people within training, education and employment can present a challenge. The programme was designed with the residents, as football is a popular theme within the service.

The aim of Albion Goals was to provide sporting and personal development opportunities through football for residents not engaging in education,

Value for Money – continued

training and employment, and harness the influence of the Albion brand to motivate participants in a way that other institutions might struggle to.

Newhaven Foyer residents wanted to develop health and wellbeing in a programme that could be sustained and offered to others in the community. Some residents felt it would be helpful to attend workshops that would support them with mental health or substance misuse issues. For other residents, the impetus they needed to find the right job / career / volunteering opportunity was met through the support of their Albion coach and mentor.

On a wider scale, the opportunities provided by the Albion Goals project Back of the Net in Newhaven helped reduce anti-social behaviour, drug and alcohol use, challenge sedentary lifestyles, and improve mental wellbeing.

The HACT model was applied and the associated values indicated a social return of £24.57 for every £1 invested. The net social value that this activity generated was £127,457.

Up Cycle – A Better You

Following liaison with our local police, 20 bicycles were donated to Abbott Lodge. The bikes had either been involved in road traffic collisions or were unclaimed. The initiative served as an excellent community development model, which benefited everyone concerned, and acted as a positive shift in the relationship between the community and the police. The group was keen to participate and viewed the development as a positive way of increasing physical fitness levels and enhancing wellbeing in general. Staff worked closely with two residents who were able to undertake bike repairs and safety checks. Other residents were trained to repair the bikes and once the safety checks had been completed, they were allowed to keep them.

Up Cycle – A Better You ran from February to June 2015. The HACT model was applied and the associated values indicated a social return of £361.07 for every £1 invested. The net social value that this activity generated was £196,239.

Craft sessions at Roseberry

Roseberry works with residents who have mental health issues. The craft classes were set up to provide a regular social activity that could be facilitated within the building and thus ensure participation by the residents. The craft classes provided regular social inclusion and opportunities to learn new skills in a setting that the residents felt comfortable in.

The HACT model was applied and the associated values indicated a social return of £100.48 for every £1 invested. The net social value that this activity generated was £79,500.

Fashion show

Several of our schemes were involved in the saha Fashion Show, which was held in September 2015. Braintree Foyer chose to evaluate the social return on its particular involvement in the project, which was to use young people’s artistic talents to design and make items of clothing that could be showcased. Group sessions were delivered over a six-month period to prepare for the event. The project improved the young people’s confidence, gave them the skills to work as part of a team, and the experience of working with a professional dress maker and displaying the finished items at the Fashion Show.

The HACT model was applied and the associated values indicated a social return of £213 for every £1 invested. The net social value that this activity generated was £223,000.

There were a number of indirect costs associated with some aspects of the project which were accrued by other organisations who contributed.

These were not direct costs to saha in delivery, however are determinants of the high ratios that can be seen in the results.

Financial management and cost control

In order to progress the TOM and address the HCA CPU issues, we continued to re-engineer the trading activity management information. This included the following:

- The refinement of business trading activity management accounts to include separate reporting against the following activities:
 - Older People’s Services
 - General Needs Housing
 - Direct Managed Supported Housing
 - Salvation Army Managed Lifehouses
 - Other Agent Supported Housing
 - Foyers
- Cost per unit measurement across the following cost drivers for each activity:
 - Management CPU
 - Maintenance CPU
 - Service Cost CPU
 - Major Repair CPU
 - Other Social Housing Costs CPU

This provides a basis for explaining the level of costs and the cost drivers under each spend category for each separate trading activity to our Board, management teams and centre staff as well as the HCA. This enables the Board to understand the drivers for costs and informs the Board decision making process.

Treasury management

a) We continued to manage our cash resources effectively, as endorsed by independent consultants, Capita Asset Services (Treasury Solutions), and the current margins on our outstanding loan balance continued to represent excellent VfM.

b) The £10m 25 year loan facility with Metro Bank was successfully secured and will be drawn down during 2016/17 to fund our development programme.

Income management

The Rent Recovery team manages the rent accounts for all our General Needs and Older People’s accommodation. A significant number of residents in the Lifehouses still have support needs when moving into their own accommodation. Because the majority of saha’s stock is one-bed, the LA nomination system focuses on people with priority needs. These vulnerable residents are informally supported in certain cases by The Salvation Army and by the Rent Recovery team, providing welfare advice as well as securing rental income for saha.

The team works with residents who are in rent arrears, and liaises with benefit departments to secure payments, provide support and signpost residents where they need help to manage their finances. Other administration tasks include Retired Officers’ lettings, vacation administration and rental agreements and payments.

The three teams within the department work closely together to ensure the best possible service for our customers.

Value for Money – continued

Performance against 2015/16 improvement plans

Improvement Area	Achieved?	Comments
Continue to improve overhead efficiency so that we at least achieve our target of 10%.	Partial	Overhead as a percentage of a reduced turnover was maintained at 10.5%.
Engineering our responsive maintenance service to ensure repairs are completed right first time wherever possible.	Yes	During 2015/16 saha completed an average of 92% of repairs right first time, with 99% customer satisfaction.
Further development of our assets and liabilities register which will enable more effective stock management through comprehensive options appraisals and investment decisions.	Yes	<p>Saha has a fully functioning assets and liabilities register which was developed in line with good practice, was audited to ensure compliance and approved by the Board. Access to the register is available to all staff to assist with operational and management decisions. Again, this year it helped to identify disposal targets.</p> <p>The register is also used to undertake detailed stock performance and value analysis. This information will also provide supporting data to develop an Asset Management Strategy focus on asset churn and optimise future stock decisions and efficiencies.</p>
Seek external validation of our social impact assessments to help enable benchmarking and an independent confirmation of the outcomes being achieved.	Yes	During the year the model was applied to an agreed number of specific projects representing a range of activities across our supported housing, in order to provide an indicator of our overall social return on investment. Those specific assessments were externally validated by HACT.
Review the value for money from our existing housing management agreements and relationships with agents.	Yes	During the year there were seven supported housing schemes that were managed by external managing agents. The additional income generated with this model of delivery was £689,817 compared to managing these schemes directly. Next year we anticipate this additional income increasing to at least £854k.

Improvement plans 2016/17

Our annual improvement plans flow from the corporate strategy. Areas that relate to improving business effectiveness and delivering better value for money are summarised below:

- a) Develop a redefined Asset Management, Development and Investment Strategy by March 2017.
- b) Continue to access additional grant funding to enable further energy efficiency improvements to saha’s stock and reduce energy costs for residents.
- c) Complete the design of a new target operating model that can maintain the cost reductions achieved in 2015/16 and identify circa £250k of efficiency savings in year two of implementation.

Financial Statements

Financial statements

Independent auditor's report to the members of Salvation Army Housing Association

We have audited the financial statements of Salvation Army Housing Association for the year ended 31 March 2016, which comprise the Statement of Comprehensive Income, the Statement of Change in Equity and Reserves, the Statement of Financial Position, the Statement of Cash Flows and the related notes 1 to 30. 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), including FRS 102 "The Financial Reporting Standard applicable in UK and Republic of Ireland."

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

Respective responsibilities of the board and the auditor

As explained more fully in the Statement of Board's Responsibilities set out on page 46, the Board is responsible for the preparation of financial statements which 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 Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2016 and of its result for the year then ended; and
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and The Accounting Direction for Private Registered Providers of Social Housing 2015.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Co-operative and Community Benefit Societies Act 2014 requires us to report to you if, in our opinion:

- a satisfactory system of control over transactions has not been maintained; or
- the Association has not kept proper accounting records; or
- the financial statements are not in agreement with the books of account; or
- we have not received all the information and explanations we need for our audit.

Nexia Smith & Williamson

Nexia Smith & Williamson
Statutory Auditor
Chartered Accountants

25 Moorgate
London
EC2R 6AY

Date: 8 September 2016

Statement of comprehensive income for the year ended 31 March 2016

	Notes	2016 £	2015 £
Turnover	2A/2B	41,009,143	42,409,627
Operating expenditure	2A/2B	(37,243,743)	(38,916,835)
Operating surplus		<u>3,765,400</u>	<u>3,492,792</u>
Gain on disposal of fixed assets	4	498,535	–
Interest receivable	5	39,403	34,692
Interest and financing costs	6	(1,114,637)	(2,735,071)
Movement in fair value of financial instruments	25	–	2,484,965
Surplus for the financial year and total comprehensive income for financial year	7	<u>3,188,701</u>	<u>3,277,378</u>

Statement of changes in equity and reserves for the year ended 31 March 2016

	Share Capital £	Revenue Reserve £	Restricted Reserves £	Total £
Balance at 1 April 2014	10	23,587,840	6,553,173	30,141,023
Surplus for the year	–	3,277,378	–	3,277,378
Shares issued/(cancelled) (net)	2	–	–	2
Transfer from restricted reserves to revenue reserves	–	19,591	(19,591)	–
Balance at 31 March 2015	12	26,884,809	6,533,582	33,418,403
Surplus for the year	–	3,188,701	–	3,188,701
Transfers from restricted reserves to revenue reserves	–	84,008	(84,008)	–
Shares issued/ (cancelled) (net)	(2)	–	–	(2)
Balance as at 31 March 2016	<u>10</u>	<u>30,157,518</u>	<u>6,449,574</u>	<u>36,607,102</u>

The accompanying notes form part of the financial statements

Statement of financial position as at 31 March 2016

	Notes	2016 £	2015 £
Fixed assets			
Housing properties	9	146,010,297	145,640,609
Property, plant and equipment	10	1,048,310	1,716,663
Investments	11	51	51
		<u>147,058,658</u>	<u>147,357,323</u>
Current assets			
Debtors	12	1,486,409	1,221,112
Cash and cash equivalents	13	8,821,648	7,721,882
		<u>10,308,057</u>	<u>8,942,994</u>
Creditors: amounts falling due in less than one year	14	<u>(8,549,302)</u>	<u>(8,045,258)</u>
Net current assets		<u>1,758,755</u>	<u>897,736</u>
Total assets less current liabilities		<u>148,817,413</u>	<u>148,255,059</u>
Creditors: amounts falling due after more than one year	14	<u>(112,210,311)</u>	<u>(114,836,656)</u>
Net Assets		<u><u>36,607,102</u></u>	<u><u>33,418,403</u></u>
Capital and reserves			
Call up share capital	18	10	12
Restricted reserves	19	6,449,574	6,533,582
Revenue reserve	19	30,157,518	26,884,809
		<u>36,607,102</u>	<u>33,418,403</u>

The accompanying notes form part of the financial statements.

The financial statements were approved by the Board on 28 July 2016 and signed on its behalf by:



Chairman
Commissioner John Matear



Board Member
Andrew Taylor



Company Secretary
Puneet Rajput

Statement of cash flows for the year ended 31 March 2016

	Notes	2016 £	2015 £
Net cash generated from operating activities	24	5,901,637	3,531,494
Investing activities			
Interest received		37,918	34,692
Grants received		1,537,281	1,368,303
Additions to property, plant and equipment		(5,958,580)	(3,074,454)
Proceeds on disposal of property, plant and equipment		2,287,669	–
Net cash used in investing activities		(2,095,712)	(1,671,550)
Financing activities			
Interest paid		(1,090,447)	(942,526)
Loans repaid		(1,615,710)	(1,418,089)
Share issue		(2)	2
Net cash used in financing activities		(2,706,159)	(2,360,613)
Increase/(decrease) in cash and cash equivalents		1,099,766	(500,669)
Cash and cash equivalents at 1 April		7,721,882	8,222,551
Net cash and cash equivalents at 31 March		8,821,648	7,721,882

The accompanying notes form part of the financial statements.

Notes to the financial statements for year ended 31 March 2016

1. Legal status and accounting policies

Legal Status

Salvation Army Housing Association is registered with the Homes and Communities Agency (HCA) LH2429 and under the Co-operative and Community Benefit Societies Act 2014. The Association is incorporated and registered in England. The address of the registered office is 3rd Floor, St Olaves House, 10 Lloyd’s Avenue, London EC3N 3AJ.

Accounting policies

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

Basis of accounting

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 – ‘The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland’ (‘FRS 102’). The financial statements have also been prepared in accordance with the Statement of Recommended Practice Accounting by registered social housing providers (Housing SORP 2014) and comply with the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015 (‘the Direction’).

In accordance with FRS 102 (3.3A) the Association is a public benefit entity that has applied the “PBE” prefixed paragraphs.

The financial statements have been prepared on the historical cost basis except for the modification to a fair value basis for certain financial instruments as specified in the accounting policies below.

These financial statements are the first annual financial statements of the Association in accordance with FRS 102 “The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland”. The first date at which FRS 102 was applied was 1 April 2014. In accordance with FRS 102 the Association has:

- provided comparative information
- applied the same accounting policies throughout all periods presented
- retrospectively applied FRS 102 as required

Further information about the transition to FRS 102 can be found in note 26.

The financial statements are those of the Association only and have not been consolidated to include the results of its subsidiaries, Kingsown Property Limited and SAHA Developments Limited. This is because the results of the Association and its subsidiaries are included within the consolidated financial statements of The Salvation Army Social Work Trust (SASWT), charity registration number 215174. The financial statements of SASWT are publicly available from The Salvation Army website www.salvationarmy.org.uk or from the Company Secretary on request. The address of the registered office is 101 Newington Causeway, London SE1 6BN.

These financial statements are prepared in pounds sterling, which is the functional currency of the Association.

Going concern

After reviewing the Association’s forecasts and projections, the Board has a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future. The Association therefore continues to adopt the going concern basis in preparing its financial statements.

Key sources of estimation uncertainty and judgements

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

Notes to the financial statements for year ended 31 March 2016 – continued

Legal status and accounting policies (continued)

Significant management judgements

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

Financial instruments classification

The classification of financial instruments as “basic” or “other” requires judgement as to whether all applicable conditions as basic are met. This includes consideration of the form of the instrument and its return.

Categorisation of housing assets as investment properties or property, plant and equipment

Property assets are classified between investment property and property, plant and equipment depending on the intended use of each property. In determining the intended use of property management exercises its judgement. Management considers the following factors in making this judgement:

- Whether the asset is held for social benefit;
- Whether the property is operated at below a market rent for the wider benefit of the community;
- Whether the Association is subsidising the property and operating at a loss in order to continue providing a service; and
- What the purpose for holding the asset is.

Properties held to earn rentals or for capital appreciation or both are classified as investment properties. Properties intended to provide social benefit and properties used for the production or supply of goods and services or for administrative purposes are classified as property, plant and equipment.

Capitalisation of property development costs

Distinguishing the point at which a project is more likely to continue, allowing capitalisation of associated development costs requires judgement. After capitalisation of development costs management monitors the asset and considers whether changes indicate that impairment is required.

Housing property impairments

For impairment purposes, as explained in the accounting policies, housing properties are grouped into schemes, which reflects how the properties are managed.

The assessment of whether an asset is held for its service potential is also a matter of judgement and in making that judgement the Board considers the current use of the asset and the expected future use of the asset. If the asset is unable to be let in its current condition or is not being used for a social purpose, either now or in the foreseeable future, it is assessed as not being held for its service potential.

In calculating an asset’s depreciated replacement cost, judgement is required on how best to calculate the recoverable amount for assets held for their service potential and whether there is an active market for the property. The Board is of the opinion that there is no active market present.

Modification of financial liabilities

Where the Association modifies a loan agreement, an assessment is carried out as to whether the modification is substantial, leading to a de-recognition of the old instrument and recognition of a new financial liability, or not, leading to a re-measurement of the financial liability. Judgement is required in making this assessment. Management consider a combination of quantitative and qualitative factors in making their assessment, as follows:

- Changes in cashflow, both interest rate, margin and principal repayments and drawdowns
- Changes to the terms and conditions of the loan attached to the loan, for example covenants, permissions, security arrangements

Schemes managed by agents

Saha has a number of management agreements in place where judgement is required in respect of whether in substance a transfer of risks and benefits is judged to have taken place.

Estimation uncertainty

Useful lives of property, plant and equipment (PPE)

Management reviews its estimate of the useful lives of depreciable assets at each reporting date based on the expected utility of the assets. Uncertainties in these estimates relate to ‘technological obsolescence’ with regard to IT equipment/software and any changes to Decent Homes Standard requiring frequent replacement of components. The accumulated depreciation at 31 March 2016 was £44,489k.

The main components of housing properties and their useful lives

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

Bad debt provision

The gross trade debtors balance of £573k is recorded in the Association’s Statement of Financial Position comprising a relatively large number of small balances. A full line by line review of trade debtors is carried out at the end of each month. Whilst every attempt is made to ensure the bad debt provisions are as accurate as possible, there remains a risk that the provisions do not match the level of debts that ultimately prove to be uncollectible.

Amortisation of government grants

Government grants received for housing properties are recognised in income over the useful life (as identified for the depreciation charge) of the housing property structure (excluding land), on a straight line basis under the accrual model.

Multi-employer pension obligation

The Association has entered into a contractual agreement with the Social Housing Pension Scheme (SHPS) to determine how the deficit will be funded. Contributions not expected to be settled within 12 months after the reporting date are measured at the present value of the contributions payable by using a discounted rate (discounted present value basis). The rate used is determined by reference to market yields at the reporting date on high quality bonds. A liability of £2,630k is recorded in the Statement of Financial Position at 31 March 2016.

Financial instruments

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

Trade (including rental) and other debtors and creditors that are due for payment within the normal business terms are initially recognised at transaction/undiscounted price. Debtors and creditors that are due in more than one year and are material are subsequently measured at amortised cost using the effective interest rate method. A provision is established when there is objective evidence that the Association will not be able to collect all amounts due.

Loans to subsidiaries are classified as basic financial instruments. These are provided at an arms length on commercial terms and are repayable on demand. These are therefore recognised at the original transaction price and are not considered to be material.

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

Notes to the financial statements for year ended 31 March 2016 – continued

Legal status and accounting policies (continued)

Bank deposits with a maturity of more than three months are classed as current asset investments.

Interest bearing bank loans, overdrafts and other loans which meet the criteria to be classified as basic financial instruments are initially recorded at the present value of cash payable to the bank, which is ordinarily equal to the proceeds received net of direct issue costs. These liabilities are subsequently measured at amortised cost, using the effective interest rate method.

The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial asset or liability or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Employee benefits

Short term employee benefits including holiday pay and annual bonuses are accrued as services rendered. Contributions to defined contribution pension schemes are charged to profit or loss as they become payable in accordance with the rules of the scheme. Differences between contributions payable in the year and those actually paid are shown as either accruals or pre payments in the Statement of Financial Position.

The Association is party to a multi-employer defined benefit (final salary) contributory pension scheme administered independently. The Association is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis.

As there is a contractual agreement between the scheme and the Association that determines how the deficit will be funded, the contributions payable that arise from the agreement to the extent that they relate to the deficit is recognised as a liability in the Statement of Financial Position, and the resulting expense in the Statement of Comprehensive Income.

When the contributions are not expected to be settled within 12 months after the reporting period, the liability is measured at the present value of the contributions payable by using a discounted rate (discounted present value basis). The rate used is determined by reference to market yields at the reporting date on high quality bonds.

The Association also contributes to the auto-enrolment SHPS defined contribution pension scheme. Contributions are charged to the Statement of Comprehensive Income as they become payable in accordance with the rules of the scheme. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the Statement of Financial Position.

Turnover and revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for rental and service charge income, contributions and management fees and miscellaneous donations from agencies, fees and revenue grants receivable from local authorities and government grants received for housing properties recognised in income on a systematic basis.

Turnover is recognised as follows:

- Rental and service charge income is recognised in the period to which it relates net of rent and service charge losses from voids.
- Contributions, management fees and miscellaneous donations from agencies are recognised in the period to which they relate.
- Revenue grants are credited to and recognised in the Statement of Comprehensive Income in the same period as the expenditure to which they relate.
- Capital grants received are initially deferred and then credited to turnover in the Statement of Comprehensive Income on a straight line basis over the expected life of the asset which they have funded.
- Charges for support services funded under Supporting People are recognised as they fall due under the contractual agreement with Administering Authorities.
- Gift aid income is received from the two subsidiaries on a retrospective basis and recognised in the period in which it is received.

Interest payable

Interest on loans specifically financing development is capitalised on a weighted average cost basis for the period from start of works up to the date of practical completion or acquisition of legal title, whichever is later. Other interest payable is charged to the Statement of Comprehensive Income in the period in which it is incurred.

Tangible assets: Property, plant and equipment

Housing properties

Housing properties are properties held for the provision of social housing or to otherwise provide social benefit. Housing properties are principally properties available for rent and stated at cost less accumulated depreciation and any recognised impairment losses. The cost of properties is their purchase price plus any incidental costs of acquisition, or where the properties are acquired through acquisitions or transfer of engagements, then the cost is the “existing use value” valuation as provided by a professionally qualified valuer. Additions to housing properties under construction as a result of development expenditure are shown as “additions” and are transferred to completed properties when they are ready for letting. Cost includes the cost of acquiring land and buildings, development costs, interest charges incurred during the development period and expenditure in respect of capital improvements.

Properties in the course of construction are not depreciated. Freehold land is not depreciated.

The Association accounts for its expenditure on housing properties using component accounting. Under component accounting, the housing property is divided into those major components which are considered to have substantially different useful lives. Depreciation is charged on major components so as to write off the cost of the components to their residual values, over their estimated useful lives, using the straight line method, as follows:

Freehold Land	Not depreciated
Building – Main Fabric	50 years
Major Components	
Roof	50 years
Bathrooms	30 years
Lifts	25 years
Mechanical and Electrical Systems	25 years
Windows and External Doors	25 years
Kitchens	20 years

Where a separate identified and depreciated component of an existing property is replaced, the carrying value of the component is expensed and the cost of the replacement component capitalised.

Where a repair involves replacement, renewal or repair of items within the fabric of existing buildings which have not been assigned separate component lives, the repair is treated as a revenue item whether or not major repair social housing grant (SHG) is payable for such items. Where applicable, the related SHG receivable is also treated as a revenue item.

For any replacement, renewal or repair to the fabric of a building or replacement of an existing component which enhances the net rental income generated from the property, a useful economic life is assigned to that component (as per policy) and depreciated.

Notes to the financial statements for year ended 31 March 2016 – continued

Legal status and accounting policies (continued)

Impairment of housing properties

For the purposes of impairment assessments, housing properties are grouped together into schemes, each scheme typically comprising one or more buildings in an immediate locality, and each building consisting of one or more accommodation units. Schemes are typically developed or acquired as one. The exception is street properties, which are geographically diverse and where individual properties may have been acquired piecemeal.

At each Statement of Financial Position date, housing schemes are assessed to determine if there are indicators that the scheme may be impaired in value; if there are such indicators of impairment, then a comparison of the scheme’s carrying value to its recoverable amount is undertaken. Any excess over the recoverable amount is recognised as an impairment loss and charged as expenditure in the Statement of Comprehensive Income; the carrying value is reduced appropriately.

The recoverable amount of a scheme is the higher of its fair value less costs to sell and its value in use. Value in use for housing schemes which are able to be let in their current condition and which are fulfilling the social purpose for which they were acquired is based on the depreciated replacement cost of the asset. For other schemes, value in use is defined as the net present value of the future cash flows before interest generated from the scheme.

When an impairment loss is subsequently reversed, the carrying amount of the scheme is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the Statement of Comprehensive Income.

Other property, plant and equipment

Other property, plant and equipment are stated at cost less accumulated depreciation. Depreciation is charged on a straight line basis over the expected useful lives of the assets at the following rates:

Computers	33% per annum
Office Equipment and Furniture	20-25% per annum
Office Renovation	20% per annum
New Business System	20% per annum
Digital TV	10% per annum
Office Premises	2% per annum

Sales of housing properties

Where housing properties are disposed of during the year, the surplus or deficit is accounted for on the face of the Statement of Comprehensive Income. The sale of the property is recognised upon completion rather than on exchange of contracts.

Investments

Fixed asset investments are held and stated at cost less any provision for impairment.

Government grants

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

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

Government grants released on sale of the property may be repayable, but are normally available to be recycled and are credited to a Recycled Capital Grant Fund and are included in the Statement of Financial Position in creditors due after more than one year.

If there is no requirement to recycle or repay the grant on disposal of the asset, any unamortised grant remaining within creditors is released and recognised as income in the Statement of Comprehensive Income.

Other grants

Grants received from non-government sources are recognised using the performance model. A grant which does not impose a specific future performance condition is recognised as revenue when the grant proceeds are receivable. A grant that imposes specific future performance related conditions on the Association is recognised only when these conditions are met. A grant received before the revenue recognition criteria are satisfied is shown as a liability in the Statement of Financial Position.

Capitalisation of interest

Interest on the loans financing a development is capitalised up to the date of practical completion of the scheme or acquisition of legal title, whichever is later. Interest on the loans after this date is charged to the Statement of Comprehensive Income.

Capitalisation of development overheads

Development overheads are capitalised to the extent that they are identified as incremental costs to the Association and would have been avoided only if the property / development had not been constructed or acquired.

Leases

Leases are classified as finance leases where the terms of the leases transfer substantially all the risks and the rewards incidental to ownership of the leased asset. All other leases are classified as operating leases.

Assets held under finance leases are measured initially at the fair value of the leased asset and the corresponding lease liability. Assets held under finance leases are included in tangible fixed assets and depreciated in the same way as owned assets.

Rentals payable under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

The aggregate benefits of any lease incentive are recognised as a reduction in expenses over the term of the lease.

Provisions for liabilities

Provisions are recognised when the Association has a present obligation (legal or constructive) as a result of a past event and it is probable that the Association will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Taxation

The Association has charitable status and therefore is not subject to Corporation Tax on surpluses derived from charitable activities, provided that the surpluses are applied to the charitable objects of the Association.

The Association and its subsidiary Kingsown Property Limited are registered as part of the VAT Group with its parent The Salvation Army. VAT is accounted for to HMRC for any vatable supplies made outside the VAT Group by the Association and its subsidiary. Expenditure is therefore shown inclusive of VAT. SAHA Developments Limited is a stand alone company for VAT purposes.

Notes to the financial statements for year ended 31 March 2016 – continued

Legal status and accounting policies (continued)

Schemes managed by agents

The Association has a number of agreements with The Salvation Army and other third parties to manage schemes on its behalf and has assessed that in certain circumstances, in substance, and on balance a transfer to the managing agents of the risks and benefits attached to schemes has not taken place. These financial statements are therefore drawn up on the basis that it is appropriate to include the transactions managed by the agents. The values of the transactions associated with agency managed schemes are included in the Statement of Comprehensive Income. Debtors and creditors of Agency Managed schemes held in the books and records of the agent have not been included in these financial statements.

The Association also has a number of management agreements in place with other agencies where in substance a transfer of risks and benefits is judged to have taken place. In these circumstances, the transactions managed by these agents are not included in these financial statements.

With respect to the Agency Managed schemes, the total turnover for the year included in these financial statements amounted to £26.7m (2015: £26.3m) and total operating costs amounted to £24.8m (2015: £25.1m).

Management expenses

Management expenses are allocated to activities either directly or on the basis of staff time spent on the activity.

Restricted reserves

Restricted reserves relate to funds received by the Association for specific purposes and these are held and used for that purpose. These include Catherine Baird Court, Property Reserve and Other Reserves (see note 19 for detailed explanations and purpose of the reserves).

Revenue reserves

Revenue reserves relate to the cumulative surpluses less amounts transferred to designated and restricted reserves.

Notes to the financial statements for year ended 31 March 2016 – continued

2A. Particulars of turnover, operating expenditure and operating surplus / (deficit) for the year

	2016			2015		
	Turnover	Operating Expenditure	Operating Surplus/(Deficit)	Turnover	Operating Expenditure	Operating Surplus/(Deficit)
	£	£	£	£	£	£
Social housing lettings (Note 2B):						
General Needs accommodation	7,187,383	(5,206,026)	1,981,357	6,875,780	(5,423,569)	1,452,211
Supported Housing and Housing for Older People	19,459,945	(15,867,496)	3,592,449	18,266,820	(16,062,018)	2,204,802
Other – Foyers	1,428,349	(1,373,975)	54,374	1,744,742	(1,723,989)	20,753
	28,075,677	(22,447,497)	5,628,180	26,887,342	(23,209,576)	3,677,766
Other social housing activities:						
Charges for support services	8,551,516	(11,198,593)	(2,647,077)	9,480,382	(12,686,211)	(3,205,829)
Gift Aid	–	–	–	89,818	–	89,818
Contributions from Agencies	1,458,030	–	1,458,030	2,482,894	–	2,482,894
Other income: Managing Agents	488,240	–	488,240	700,879	–	700,879
Association	1,308,399	(2,123,924)	(815,525)	1,191,651	(1,096,621)	95,030
	39,881,862	(35,770,014)	4,111,848	40,832,966	(36,992,408)	3,840,558
Activities other than social housing activities:						
Registered Care	1,127,281	(1,473,729)	(346,448)	1,576,661	(1,924,427)	(347,766)
	41,009,143	(37,243,743)	3,765,400	42,409,627	(38,916,835)	3,492,792

Notes to the financial statements for year ended 31 March 2016 – continued

2B. Particulars of turnover and operating expenditure from social housing lettings

	General needs Housing £	Supported Housing and housing for older people – Agency Managed £	Supported Housing and housing for older people – Direct Managed £	Other – Foyers £	2016 Total £	2015 Total £
Income						
Rent receivable net of identifiable service charges and voids	5,734,672	6,948,763	1,752,136	594,852	15,030,423	13,749,670
Service charge income	755,621	8,112,141	820,846	637,475	10,326,083	10,327,994
Support income	–	–	2,595	7,939	10,534	28,319
Amortised government grants	697,090	1,592,064	220,731	52,986	2,562,871	2,549,916
Other revenue grants	–	–	10,669	135,097	145,766	231,443
Turnover from social housing lettings	7,187,383	16,652,968	2,806,977	1,428,349	28,075,677	26,887,342
Management	1,049,958	2,372,782	445,655	393,579	4,261,974	4,483,855
Service charge costs	734,542	8,199,287	749,644	612,729	10,296,202	10,172,540
Routine maintenance	1,362,049	1,001,366	375,345	149,004	2,887,764	3,068,907
Planned maintenance	162,226	253,150	28,638	–	444,014	127,772
Major repairs expenditure	392,741	288,852	76,992	11,658	770,243	1,460,503
Bad debts	97,642	–	28,345	(1,455)	124,532	138,413
Depreciation of housing properties	1,300,082	1,610,772	323,739	82,176	3,316,769	3,263,248
Additional depreciation on components replaced / planned demolition	92,393	79,475	7,056	48	178,972	213,975
Other costs	14,393	–	26,398	126,236	167,027	280,363
Operating costs on social housing lettings	5,206,026	13,805,684	2,061,812	1,373,975	22,447,497	23,209,576
Operating surplus on social housing lettings	1,981,357	2,847,284	745,165	54,374	5,628,180	3,677,766
Void losses (being rental income lost as a result of property not being let, although it is available for letting)	(119,215)	(1,307,160)	(47,628)	(37,690)	(1,511,693)	(1,362,233)

Notes to the financial statements for year ended 31 March 2016 – continued

3. Key management personnel and employee information

Key management personnel are defined for the purpose of this note as the members of the Board, the Chief Executive and any other person who is a member of the Executive Management Team. The emoluments of the board members and the executive directors including the Chief Executive were as follows:

	2016 £	2015 £
Aggregate emoluments (including pension contributions and benefits in kind) paid to key management personnel is made up as follows:		
Board members (see below *)	18,166	14,937
Executive management team	577,228	545,991
	595,394	560,928
Total employer's pension contributions in respect of directors	79,760	75,302
Emoluments of highest paid director, the Chief Executive (excluding pension contributions, including benefits in kind)	130,519	122,002
Employer's pension contributions in respect of the Chief Executive	19,654	18,555

The Chief Executive is a member of the Social Housing Pension Scheme. He is an ordinary member of the pension scheme and no enhanced or special terms apply.

Salaried board members*

	2016 £	2015 £
Mr J Matear	10,260	10,282
Mr R Parker	3,973	4,655
Mr J Shearer	3,933	–
	18,166	14,937

Employee information

Average number of employees

	Number Full-time equivalent 2016	Number Full-time equivalent 2015
Staff engaged in managing or maintaining housing stock	38	37
Staff providing central administration services	27	29
Staff providing support & services	83	86
	148	152

Full-time equivalent is calculated on the basis of the total number of hours worked by each employee divided by the standard 35 hour week. The above employee numbers do not include temporary agency staff.

Staffing costs

	2016 £	2015 £
Wages and salaries	4,711,219	4,817,062
Social security costs	398,906	396,091
Other pension costs (see note 21)	335,880	323,347
	5,446,005	5,536,500
Temporary agency staff costs	197,000	444,544

The full-time equivalent number of directors and staff whose remuneration is payable in relation to the period of account fell within each band of £10,000 from £60,000 upwards. This includes compensation for loss of office:

	2016 No.	2015 No.
£60,001 to £70,000	4	4
£80,001 to £90,00	1	3
£90,001 to £100,000	2	1
£100,001 to £110,000	1	–
£110,001 to £120,000	–	1
£120,001 to £130,000	1	–

4. Gains on disposal of tangible fixed assets – housing property

	2016 £	2015 £
Proceeds from disposal of housing property	2,288,270	–
Costs of sale	(1,785,820)	–
Incidental selling costs	(3,915)	–
Gain on disposal of housing property	498,535	–

5. Interest receivable

	2016 £	2015 £
Bank deposit interest	39,403	34,692

Notes to the financial statements for year ended 31 March 2016 – continued

6. Interest and financing costs

	2016 £	2015 £
Interest payable on borrowings	(1,098,045)	(2,582,099)
Unwinding of discount on multi-employer pension scheme liability	(16,592)	(152,972)
	<u>(1,114,637)</u>	<u>(2,735,071)</u>

7. Surplus for the year

	2016 £	2015 £
This is stated at after charging/(crediting):		
Depreciation – housing properties	3,316,769	3,263,248
– additional property depreciation on components replaced / planned demolition	178,972	213,975
Depreciation – property, plant and equipment	442,313	489,392
Auditor's remuneration		
– Audit services (excluding VAT)	28,466	27,959
– Tax advisory services (excluding VAT)	–	1,204
– Other services (excluding VAT)**	16,480	2,350
Management fee and administration charged to Kingsown Property Ltd	(106,382)	(129,236)
Management fee and administration charged to SAHA Developments Ltd	(112,619)	(2,000)
Operating lease rentals – land and buildings	169,958	159,969
– other	294,532	312,623
Hire charges on rental of equipment	<u>879,995</u>	<u>870,525</u>

** Other services include technical and general accounting advice and including FRS 102.

8. Taxation

The Association is registered with the Homes and Communities Agency and is exempt from liability to taxation on its income and capital gains arising from charitable activities. All activities were charitable during the year.

9. Housing properties

	Completed housing properties £	Housing properties under construction £	2016 Total £
Cost			
At 1 April 2015	185,050,574	1,121,000	186,171,574
Additions during the year	2,066,455	3,687,506	5,753,961
Replacements of components	(939,727)	–	(939,727)
Disposals during the year	(2,747,506)	–	(2,747,506)
Transferred during the year	910,260	(910,260)	–
At 31 March 2016	<u>184,340,056</u>	<u>3,898,246</u>	<u>188,238,302</u>
Depreciation			
At 1 April 2015	40,530,965	–	40,530,965
Charge for the year	3,316,769	–	3,316,769
Additional depreciation charged on components replaced / planned demolitions	178,972	–	178,972
Disposal during the year	(858,974)	–	(858,974)
Released on components replaced	(939,727)	–	(939,727)
At 31 March 2016	<u>42,228,005</u>	<u>–</u>	<u>42,228,005</u>
Net book value at 31 March 2016	<u>142,112,051</u>	<u>3,898,246</u>	<u>146,010,297</u>
Net book value at 31 March 2015	<u>144,519,609</u>	<u>1,121,000</u>	<u>145,640,609</u>

	2016 £	2015 £
Housing properties at net book value excluding SHG comprise:		
Freeholds	75,949,787	72,893,902
Long leaseholds	59,305,136	61,692,873
Short leaseholds	10,755,374	11,053,834
	<u>146,010,297</u>	<u>145,640,609</u>

Additions to properties included £Nil (2015: £Nil) for administrative, direct and other indirect costs.

Notes to the financial statements for year ended 31 March 2016 – continued

Housing properties (continued)

Works to existing properties

	2016 £	2015 £
Works to existing properties	2,698,982	3,075,577
Less: Amounts capitalised in housing properties components	(1,925,569)	(1,606,713)
Amounts charged to the statement of comprehensive income	773,413	1,468,864
Social Housing Activity – Note 2B	770,243	1,460,503
Non Social Housing Activity – Note 2A within operating costs	3,170	8,361
Amounts charged to the Statement of Comprehensive Income	773,413	1,468,864

10. Tangible fixed assets – Property, plant and equipment

	Office Property £	Office Equipment £	Office Furniture £	Scheme Furniture £	2016 Total £
Cost					
At 1 April 2015	455,760	2,443,199	57,841	979,750	3,936,550
Additions during the year	–	140,852	5,571	58,196	204,619
Disposals during the year	(455,760)	(183,522)	(15,493)	(177,323)	(832,098)
At 31 March 2016	–	2,400,529	47,919	860,623	3,309,071
Depreciation					
At 1 April 2015	68,778	1,509,023	37,914	604,172	2,219,887
Charge for the year	3,833	304,578	7,087	126,815	442,313
Eliminated on disposals during the year	(72,611)	(183,522)	(15,190)	(130,116)	(401,439)
At 31 March 2016	–	1,630,079	29,811	600,871	2,260,761
Net book value					
At 31 March 2016	–	770,450	18,108	259,752	1,048,310
At 31 March 2015	386,982	934,176	19,927	375,578	1,716,663

11. Investments

	2016 £	2015 £
Cost of shares in wholly owned subsidiaries (see note a and b below)	51	51
	51	51

a) Kingsown Property Limited, a wholly owned subsidiary of Salvation Army Housing Association, is a company registered in England and Wales – Registered No. 02304488. The company is not a Registered Provider.

Authorised share capital: 500,000 ordinary shares of £1 each

Issued share capital: 200,000 ordinary shares of £1 each

The issued share capital is held by Salvation Army Housing Association. Under section 98 Paragraph 2 of the Co-operative and Community Benefit Societies Act 2014, Salvation Army Housing Association is exempt from preparing Group Accounts including Kingsown Property Limited.

SAHA originally purchased 50 shares in Kingsown Property Limited. As a result of a bonus issue this increased to 200,000 issued share capital.

	2016 £	2015 £
Kingsown Property Limited		
Profit for the year before tax	231,809	242,635
Net assets	1,362,418	1,176,210
Revenue reserves	1,162,418	976,210

Operating lease payments made to the subsidiary for the year amounted to £879,995 (2015: £870,525). At 31 March 2016 the amount owed by Kingsown to the Association was £22,151 (2015: £68,932); the amount due to Kingsown from the Association was £58 (2015: £13,968).

b) SAHA Developments Limited, a wholly owned subsidiary of Salvation Army Housing Association, is a company registered in England and Wales – Registered No. 07552040. The company is not a Registered Provider.

Authorised share capital: 100 ordinary shares of £1 each

Issued share capital: 1 ordinary share of £1 each

The issued share capital is held by Salvation Army Housing Association. Under section 98 Paragraph 2 of the Co-operative and Community Benefit Societies Act 2014, Salvation Army Housing Association is exempt from preparing Group Accounts including SAHA Developments Limited.

Notes to the financial statements for year ended 31 March 2016 – continued

Investments (continued)

	2016 £	2015 £
SAHA Developments Limited		
Profit/(loss) for the year before tax	52,607	(76,310)
Net assets	50,540	8,454
Revenue reserves	50,539	8,453

Saha made payments to SAHA Developments for property works £3,210,534 (2015: £893,570). At 31 March 2016 the amount owed by SAHA Developments to the Association was £132,483 (2015: £2,500); the amount due to SAHA Developments from the Association was £880,158 (2015: £106,022). The Association also received a gift aid donation of £Nil (2015: £89,818) from SAHA Developments.

12. Debtors

Amounts falling due in less than one year:

	2016 £	2015 £
Rent and service charges receivable	572,951	561,254
Provision for bad debts	(359,409)	(360,446)
Net rental and service charge debtors	213,542	200,808
Pre payments and accrued income	235,077	105,444
Other debtors	188,134	430,051
Loans due from subsidiary undertakings	249,999	249,999
Amounts due from subsidiary undertakings	132,871	71,432
Amounts due from parent undertaking	466,786	163,378
	1,486,409	1,221,112

13. Cash and cash equivalents

	2016 £	2015 £
Cash at bank and in hand	5,647,159	4,563,120
Short term deposits	3,174,489	3,158,762
	8,821,648	7,721,882

14. Creditors

Amounts falling due within one year:

	2016 £	2015 £
Trade creditors	1,069,675	1,382,387
Pre payment for rent and service charges	303,217	301,897
Deferred income and accruals	1,703,662	1,692,701
Other creditors	49,095	50,004
Housing loans (see note 15)	1,675,794	1,632,939
Amounts due to subsidiary undertakings	880,216	119,990
Amounts due to parent undertaking	26,136	32,057
Multi-employer pension scheme creditor (see note 21)	301,000	212,000
Deferred capital grants (see note 16)	2,540,507	2,549,916
Social housing grant received in advance	–	71,367
	8,549,302	8,045,258

Amounts falling due after more than one year:

	2016 £	2015 £
Housing loans		
Loans repayable between 1 and 2 years by instalments	1,650,602	1,675,795
Loans repayable between 3 and 5 years by instalments	3,256,928	3,930,540
Repayable after five years by instalments and a bullet repayment	14,738,781	15,715,771
Total housing loans (see note 15)	19,646,311	21,322,106
Deferred capital grants		
Social housing grants	87,749,989	90,542,054
Other public grants	1,307,496	1,236,496
Total deferred capital grants (see note 16)	89,057,485	91,778,550
Recycled capital grant fund (See note 17)	1,177,515	–
Multi-employer pension scheme (see note 21)	2,329,000	1,736,000
	112,210,311	114,836,656

Notes to the financial statements for year ended 31 March 2016 – continued

15. Housing loans

Housing loans from private sources are secured by charges on the Association's specific housing properties, and are repayable between 2016 and 2043, and interest charged at varying rates between 1.35% and 9.20% as follows:

Housing loans

	2016 £	2015 £
Loans at 1.35%	401,529	457,958
Loans at 2.54%	135,983	141,966
Loans at 3.38%	266,722	276,380
Loans at 3.96%	10,252,604	10,697,629
Loans at 4.07%	2,069,682	2,123,791
Loans at 5.15%	2,200,000	2,350,000
Loans at 5.19%	3,018,720	3,019,373
Loans at 6.08%	750,239	982,791
Loans at 6.09%	721,644	943,244
Loans at 6.10%	541,364	781,275
Loans at 6.13%	79,265	224,656
Loans at 9.20%	884,353	955,982
Total housing loans	21,322,105	22,955,045

	2016 £	2015 £
Housing loans due after more than one year	19,646,311	21,322,106
Housing loans due within one year	1,675,794	1,632,939
Total housing loans	21,322,105	22,955,045

16. Deferred capital grants

Analysis of deferred capital grants

	2016 £	2015 £
Opening balance at 1 April	94,328,467	95,510,080
Additions	1,537,281	1,368,303
Released to income	(2,562,871)	(2,549,916)
Amounts released in respect of property disposals	(529,458)	–
Moved to recycled capital grant fund	(1,175,427)	–
Closing balance at 31 March	91,597,992	94,328,467

	2016 £	2015 £
Classified as:		
Amounts to be released within one year (note 14)	2,540,507	2,549,917
Amounts to be released in more than one year (note 14)	89,057,485	91,778,550
Closing balance at 31 March	91,597,992	94,328,467

The total social housing grant or financial assistance received and receivable, both capital and revenue, for the year was £1,537,281 (2015: £1,368,303). The cumulative amount of social housing grant or financial assistance receivable at 31 March 2016 is £131,482,273 (2015: £129,944,992).

17. Recycled capital grant fund (RCGF)

	Homes and Communities Agency £
Opening balance at 1 April 2015	–
Inputs to RCGF:	
• Grants recycled	1,175,427
• Interest accrued during the year	2,088
Recycling of grant:	
• Major repairs work against existing properties	–
Closing balance at 31 March 2016	1,177,515
Amounts 3 years old or where repayment may be required	–

Notes to the financial statements for year ended 31 March 2016 – continued

18. Called up share capital

Each member of the Association holds one share of £1 each in the Association.

	2016	2015
	£	£
Allotted, issued and fully paid:		
At 1 April	12	10
Issued during the year	1	3
Surrendered in the year	(3)	(1)
At 31 March	10	12

The shares have limited rights. They carry no entitlement to dividend, interest or bonus, they are not repayable and do not participate in winding up. The voting rights of the shares are entitlement to vote at the Annual General Meeting and Special General Meetings of Salvation Army Housing Association.

19. Reserves

Restricted

	Catherine Baird Court reserve £	Property reserve £	Other reserves £	Total £
At 1 April 2015	70,868	6,308,198	154,516	6,533,582
Transfer to revenue reserve	(2,684)	(95,074)	(14,557)	(112,315)
Transfer from revenue reserve	349	–	27,958	28,307
At 31 March 2016	68,533	6,213,124	167,917	6,449,574

Catherine Baird Court reserve

This represents funds left by way of a specific legacy for the benefit of Catherine Baird Court. The reserve will be utilised to fund both capital and revenue expenditure under the direction of the Resident / Association Joint Committee.

Property reserve

This represents the proportion of the cost of properties that was financed by charitable donations with ongoing legal or constructive obligations to restrict the use of the funds.

Other reserves

Other restricted reserves are subject to specific restrictions imposed by the donor or by the nature of the appeal or grant. The Association holds these funds based on terms outlined when they were initially transferred. Where donor restrictions are for revenue purposes for activities normally carried out by the Association, transfers are made from restricted funds to offset the costs as they are incurred.

Revenue reserve

Revenue reserves as shown in the statement of changes in equity and reserves on page 70 is the accumulation of the surpluses and deficits of the Association since formation. The retained revenue reserves of £30,157,518 (2015: £26,884,809) are maintained to ensure the continued financial strength and viability of the Association on a going concern basis.

20. Capital commitments

	2016	2015
	£	£
Capital expenditure that has been contracted for but has not been provided for in these financial statements	2,544,085	5,840,060
Capital expenditure that has been authorised by the Board but has not been contracted for	143,753	–
	2,687,838	5,840,060

This commitment will be financed from:
Social housing grant & other grants £0.327m (2015: £1.795m).
Private finance and internal funding £2.361m (2015: £4.045m).

21. Pension obligations

Social Housing Pension Scheme (SHPS)

The Association participates in SHPS, a multi-employer scheme which provides benefits to some 500 non-associated employers. The scheme is a defined benefit scheme in the UK. It is not possible for the company to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it accounts for the scheme as a defined contribution scheme.

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

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

A full actuarial valuation for the scheme was carried out with an effective date of 30 September 2014. This actuarial valuation was certified on 23 November 2015 and showed assets of £3,123m, liabilities of £4,446m and a deficit of £1,323m. To eliminate this funding shortfall, the trustees and the participating employers have agreed that additional contributions will be paid, in combination from all employers, to the scheme as follows:

Notes to the financial statements for year ended 31 March 2016 – continued

Pension obligations (continued)

Deficit contributions

Tier 1 From 1 April 2016 to 30 September 2020	£40.6m per annum (payable monthly and increasing by 4.7% each year on 1 April)
Tier 2 From 1 April 2016 to 30 September 2023	£28.6m per annum (payable monthly and increasing by 4.7% each year on 1 April)
Tier 3 From 1 April 2016 to 30 September 2026	£32.7m per annum (payable monthly and increasing by 3.0% each year on 1 April)
Tier 4 From 1 April 2016 to 30 September 2026	£31.7m per annum (payable monthly and increasing by 3.0% each year on 1 April)

The scheme's previous valuation was carried out with an effective date of 30 September 2011; this valuation was certified on 17 December 2012 and showed assets of £2,062m, liabilities of £3,097m and a deficit of £1,035m. To eliminate this funding shortfall, payments consisted of the Tier 1, 2 & 3 deficit contributions.

Deficit provision for defined benefit scheme

	2016 £	2015 £
Pension provision		
Present value of provision for defined benefit scheme – SHPS	2,610	1,930
Present value of provision for growth plan	20	18
Total provision	<u>2,630</u>	<u>1,948</u>

	2016 £	2015 £
Pension provision		
Due within one year	301	212
Due after more than one year	2,329	1,736
Total provision	<u>2,630</u>	<u>1,948</u>

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

Present values of provision

	2016 £	2015 £
Reconciliation of opening and closing provisions		
Provision at the start of period	1,948	1,999
Unwinding of the discount factor (interest expense)	35	57
Deficit contribution paid	(212)	(204)
Remeasurements - impact of any change in assumptions	(17)	96
Remeasurements - amendments to the contribution schedule	876	–
Total provision	<u>2,630</u>	<u>1,948</u>

Impact on Statement of Comprehensive Income

	2016 £	2015 £
Total charge / (credit)	682	(51)
	<u>682</u>	<u>(51)</u>

Assumptions

	2016 % per annum	2015 % per annum	2014 % per annum
Rate of discount	2.06	1.92	3.02

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

Employer debt

Salvation Army Housing Association has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the Social Housing Pension Scheme based on the financial position of the Scheme as at 30 September 2015. As of this date the estimated employer debt for the Association was £15,742,512 (2014:£13,916,039) and for the defined contribution scheme (AVCs) the employer debt was £34,999 (2014:£39,324)

Employer pension contributions

	2016 £	2015 £
Defined benefit employer contributions including deficit contributions	311,960	305,591
Defined benefit (AVCs) deficit contributions	2,031	1,971
Auto-enrolment SHPS	21,889	15,785
	<u>335,880</u>	<u>323,347</u>

Notes to the financial statements for year ended 31 March 2016 – continued

Pension obligations (continued)

The defined benefit pension cost for Salvation Army Housing Association was £311,960 (2015: £305,591) covering 35 employees (2015: 41 employees). The pension cost is assessed in accordance with the advice of a qualified actuary using the Projected Unit Fund Method and is not materially different from that arising from the current employer's contribution rate.

The Association also allows the employees to pay additional voluntary contributions (AVCs) into their pension scheme. The amount charged to the Statement of Comprehensive Income represents the contributions payable to the scheme in respect of the financial year. The contributions due in the year were £Nil (2015: £Nil). Deficit contributions of £2,031 (2015: £1,971) were paid during the year in respect of the AVCs.

Auto-enrolment (SHPS)

As a result of the introduction of pensions "auto-enrolment" by the Government, the cost of the new defined contribution scheme was £21,889 (2015: £15,785) covering 100 employees (2015: 106 employees).

22. Operating leases

The Association had lease arrangements in respect of land and building and equipment. The future minimum lease payments of these leases are set out below:

	2016 £	2015 £
Land and Buildings – Leases expiring:		
Not later than one year	161,605	154,878
Later than one year and not later than five years	118,523	192,720
Later than five years	4,500	4,500
	<u>284,628</u>	<u>352,098</u>
Other operating leases – Leases expiring:		
Not later than one year	283,198	282,815
Later than one year and not later than five years	655,765	936,699
Later than five years	445	445
	<u>939,408</u>	<u>1,219,959</u>

23. Accommodation in management and development

The number of units of housing, lifehouses and foyer accommodation under development and in management at 31 March 2016 was:

	Number of Units in development		Number of Units in management	
	2016	2015	2016	2015
Housing accommodation for letting:				
General Needs:				
Owned and managed	84	67	1,131	1,203
Affordable:				
Owned and managed	–	–	122	51
Supported Housing and Housing for Older People:				
Owned and managed	–	–	328	299
Owned but not managed	–	–	1,650	1,628
Managed but not owned	–	–	17	–
Other – Foyer Accommodation:				
Owned and managed	–	–	112	157
Registered care bed spaces:				
Owned but not managed	–	–	77	77
Total owned and managed	<u>84</u>	<u>67</u>	<u>3,437</u>	<u>3,415</u>

Housing stock summary:

	Number of Units in development		Number of Units in management	
	2016	2015	2016	2015
Owned and managed	84	67	1,693	1,710
Owned but not managed	–	–	1,727	1,705
Managed but not owned	–	–	17	–
Total owned and managed	<u>84</u>	<u>67</u>	<u>3,437</u>	<u>3,415</u>

Notes to the financial statements for year ended 31 March 2016 – continued

24. Net cash generated from operating activities

	2016 £	2015 £
Net cash generated from operating activities		
Operating surplus	3,765,400	3,492,792
Amortisation of grants	(2,562,871)	(2,691,835)
Depreciation charges	3,759,082	3,752,640
Accelerated depreciation	178,972	213,975
Decrease / (increase) in debtors	(263,812)	(159,841)
Increase / (decrease) in creditors	359,458	(872,265)
Pension cost adjustment	665,408	(203,972)
	5,901,637	3,531,494
Corporation tax paid	–	–
Net cash generated from/(used in) operating activities	5,901,637	3,531,494

25. Financial instruments

The Association's financial instruments comprise non-listed equity securities, cash and cash equivalents, bank borrowings and items such as trade creditors and trade debtors which arise directly from its operations. The main purpose of these financial instruments is to provide finance for the Association's operations.

The Association's operations expose it to a variety of financial risks, including credit risk, liquidity risk, and interest rate risk. Given the size of the Association, the Board has not delegated the responsibility of monitoring financial risk management to a sub-committee of the Board. The policies set by the Board of Directors are implemented by the Association's finance department.

Credit risk

The Association's credit risk is primarily attributable to its rental arrears. The Association has implemented policies that require appropriate pre-tenancy checks on potential new tenants before a property is let. The amount of exposure to any individual counterparty is subject to a limit, which is reassessed annually by the Board.

The carrying amount of financial assets represents the maximum credit exposure.

Liquidity risk

The Association actively maintains a mixture of long term and short term debt finance as well as maintaining a minimum cash level amount of £3m, that is all designed to ensure it has sufficient available funds for operations and planned expansion. The Association monitors its levels of working capital to ensure it can meet its operational liabilities and debt repayments as they fall due.

The Association's financial liabilities (none of which are derivative financial liabilities) comprise trade creditors and bank borrowings which are measured at amortised cost. The contractual maturity of the bank borrowings are shown in note 15. The trade creditors are all payable within six months.

Interest rate risk

The Association has both interest bearing assets and interest bearing liabilities. Interest bearing assets comprise only cash and cash equivalents which earn interest at a variable rate. The Association has a policy of maintaining debt at fixed and floating rates to manage future interest cash flows effectively. The Board will revisit the appropriateness of this policy should the Association's operations change in size or nature.

The Association's cash and cash equivalents earned interest at a variable rate of 0.44% during the year (2015: 0.44%).

Details of the terms of the Association's borrowings are disclosed in notes 14 and 15.

The carrying values of the Association's financial assets and liabilities are summarised by category below:

	2016 £	2015 £
Financial assets:		
Measured at undiscounted amounts receivable		
• Trade and other debtors	1,486,409	1,221,112
• Cash and cash equivalents	8,821,648	7,721,882
• Fixed asset investments in unlisted equity instruments	51	51
Financial liabilities:		
Measured at amortised cost		
• Loans repayable	(21,322,105)	(22,955,045)
Measured at undiscounted amounts payable		
• Trade and other creditors	(5,707,795)	(5,211,975)
The Association's income, expense, gains and losses in respect of the financial instruments are summarised below:		
Interest income and expense		
• Total interest income for financial assets at undiscounted amounts	39,403	34,692
• Total interest expense for financial liabilities at amortised cost	(1,098,045)	(2,582,099)
Fair value gains and losses		
• On financial liabilities (including loans) measured at fair value through Statement of Comprehensive Income	–	2,484,965

Notes to the financial statements for year ended 31 March 2016 – continued

26. Transition to FRS 102

These financial statements are the Associations first financial statements that comply with FRS 102. The Association transitioned to FRS 102 from previously extant UK GAAP as at 1 April 2014. The last period the financial statements were prepared under the old UK GAAP was as at 31 March 2015.

The transition to FRS 102 has resulted in some changes in accounting policies compared to those used previously. The areas where material differences arise between previously extant UK GAAP and FRS 102 are described below:

Housing properties

Housing properties were previously depreciated net of social housing grants, and are now depreciated on gross basis, excluding the social housing grant. As a result of this change the depreciation charge shown in the financial statements is significantly higher.

Financial instruments

Financial instruments have been classified as “Basic” or “Other”. Those financial instruments that have been classified as “Basic” are recorded in the financial statements using the amortised cost model and those that have been classified as “Other” have been fair valued at the appropriate point in time and the appropriate entries have been booked between reserves, creditors and Statement of Comprehensive Income.

Capital grants

Social housing grants (SHG) were previously recorded as a set off against the cost of housing properties, but under FRS 102 these are included in creditors and amortised on the same basis as the life of the structure (50 years) on a straight line basis. The proportion of the amortised grant is credited to income under turnover. SHG is recognised as a long term creditor with the exception of the grant to be amortised within one year. This proportion of the grant is treated and recognised within creditors due within one year.

Multi-employer defined benefit pension scheme

Under previous UK GAAP, past service contributions towards servicing deficits were recognised in the Statement of Comprehensive Income on a straight line basis over the period in which the increases in benefit vest. FRS 102 requires that all contractually agreed contributions towards funding these past service deficits are recognised immediately as a liability. As a result of this change, the present value of past service deficit contributions is recognised for the defined benefit pension scheme within these financial statements.

The following tables analyse the impact of transition to FRS102

Reconciliation of the Statement of Comprehensive Income for the year ended 31 March 2015

	2015 old UK GAAP	Note 1	Note 2	Note 3	Note 4	Note 5	2015 FRS 102
	£	£	£	£	£	£	£
Turnover	39,859,711	2,549,916	–	–	–	–	42,409,627
Operating expenditure	(36,860,560)	–	(2,260,247)	–	–	203,972	(38,916,835)
Operating surplus	2,999,151	2,549,916	(2,260,247)	–	–	203,972	3,492,792
Interest receivable	34,692	–	–	–	–	–	34,692
Interest and financing costs	(1,315,075)	–	–	–	(1,267,024)	(152,972)	(2,735,071)
Movement in fair value of financial instruments	–	–	–	2,484,965	–	–	2,484,965
Surplus for the year	1,718,768	2,549,916	(2,260,247)	2,484,965	(1,267,024)	51,000	3,277,378

- Note 1. Amortisation of social housing grant (SHG) to income.
Note 2. Increased depreciation charge due to reversal of amortised SHG from depreciation.
Note 3. Fair value adjustment of “Other” financial instruments.
Note 4. Interest rate adjustment for basic financial instruments at amortised cost.
Note 5. Pension scheme obligations of past service deficits.

Notes to the financial statements for year ended 31 March 2016 – continued

Transition to FRS 102 (continued)

Reconciliation of Statement of Financial Position as at 1 April 2014

	2014 old UK GAAP	Note 1	Note 2	Note 3	Note 4	2014 FRS 102
	£	£	£	£	£	£
Fixed assets						
Housing properties	169,192,204	(22,772,652)	–	–	–	146,419,552
Social housing grant	(119,811,930)	119,811,930	–	–	–	–
Other public grants	(1,236,496)	1,236,496	–	–	–	–
	48,143,778	–	–	–	–	146,419,552
Other fixed assets						
Investments	51	–	–	–	–	51
Equipment	1,829,790	–	–	–	–	1,829,790
	49,973,619	–	–	–	–	148,249,393
Current assets						
Debtors	1,061,271	–	–	–	–	1,061,271
Cash at bank and in hand	8,222,551	–	–	–	–	8,222,551
	9,283,822	–	–	–	–	9,283,822
Creditors: amounts falling due within one year	(5,940,757)	(2,547,636)	–	(141,918)	(204,000)	(8,834,311)
Net current assets	3,343,065	–	–	–	–	449,511
Total assets less current liabilities	53,316,684					148,698,904
Creditors: amounts falling due after more than one year	(21,324,027)	(92,962,444)	(2,484,965)	8,555	(1,795,000)	(118,557,881)
Net assets	31,992,657					30,141,023
Capital and reserves						
Called up share capital	10	–	–	–	–	10
Restricted reserves	6,553,173	–	–	–	–	6,553,173
Revenue reserve	25,439,474	2,765,694	(2,484,965)	(133,363)	(1,999,000)	23,587,840
	31,992,657					30,141,023

Reconciliation of Statement of Financial Position as at 31 March 2015

	2015 old UK GAAP	Note 1	Note 2	Note 3	Note 4	2015 FRS 102
	£	£	£	£	£	£
Fixed assets						
Housing properties	170,673,508	(25,032,899)	–	–	–	145,640,609
Social housing grant	(121,180,233)	121,180,233	–	–	–	–
Other public grants	(1,236,496)	1,236,496	–	–	–	–
	48,256,799	–	–	–	–	145,640,609
Other fixed assets						
Investments	51	–	–	–	–	51
Equipment	1,716,663	–	–	–	–	1,716,663
	49,973,493	–	–	–	–	147,357,323
Current assets						
Debtors	1,221,112	–	–	–	–	1,221,112
Cash at bank and in hand	7,721,882	–	–	–	–	7,721,882
	8,942,994	–	–	–	–	8,942,994
Creditors: amounts falling due within one year	(5,266,113)	(2,549,916)	–	(17,229)	(212,000)	(8,045,258)
Net current assets	3,676,881	–	–	–	–	897,736
Total assets less current liabilities	53,650,374					148,255,059
Creditors: amounts falling due after more than one year	(19,938,947)	(91,778,551)	–	(1,383,158)	(1,736,000)	(114,836,656)
Net assets	33,711,427					33,418,403
Capital and reserves						
Called up share capital	12	–	–	–	–	12
Restricted reserves	6,533,582	–	–	–	–	6,533,582
Revenue reserve	27,177,833	3,055,363	–	(1,400,387)	(1,948,000)	26,884,809
	33,711,427					33,418,403

Notes to adjusting entries for the Statements of Financial Position as at 1 April 2014 and 31 March 2015

Note 1. Reclassification of SHG to creditors due in less than one year and due after more than one year; amortisation of SHG to income; and increased depreciation charge due to reclassification of SHG amortisation to income.

Note 2. Fair value adjustment of “Other” financial instruments as a result of the de-recognition of fair valued financial instruments.

Note 3. Amortised cost adjustment of “Basic” financial instruments.

Note 4. Defined benefit pension scheme net present value adjustments of future deficit contributions recognised within creditors due within one year and creditors due after more than one year.

27. Transition relief

On transition to FRS 102 from previous UK GAAP, the Association has taken advantage of transitional relief as follows:

- Investments in subsidiaries
The Association has elected to treat the carrying amount of investments in subsidiaries under previous UK GAAP at the date of transition as deemed cost on transition to FRS 102.
- Lease incentives
The Association has not applied paragraphs 20.15A or 20.25A to lease incentives where the lease commenced before the date of transition to FRS 102. It has continued to recognise any residual benefit or cost associated with these lease incentives on the same basis that applied prior to transition to FRS 102.

28. Contingent liabilities

As at 31 March 2016 there were no contingent liabilities (2015: £nil).

29. Related parties

The Association has taken advantage of the exemption permitted by Financial Reporting Standard 102.33.1A – ‘Related Party Transactions’, and does not disclose transactions with group undertakings that are wholly owned by such a member.

The Board has a tenant member who holds a tenancy agreement on the same terms as other similar tenants. The Association took out a loan of £315,000 with Reliance Bank Limited in the financial year ended 31 March 2011, and £2,200,000 in the financial year ended 31 March 2014, and a further loan of £150,000 in the financial year ended 31 March 2015, a partly (49%) owned bank by The Salvation Army Trustee Company (SATCo).

The Association made the following payments during the year to Reliance Bank Limited:

Capital repayments	£108,561
Interest payments	£59,770

The total outstanding balance of the loan at 31 March 2016 was £2,390,869. The long term loan was granted to the Association on normal commercial terms.

During the year, the Association paid £216,365 (2015: £193,746) for the property and liability insurance to SAGIC Ltd. SAGIC Ltd is a company wholly owned by The Salvation Army Trust (Central Funds).

Key management personnel

All executive and non-executive directors and certain senior employees who have the authority and responsibility for planning, directing and controlling the activities of the Association are considered to be key management personnel. Compensation of key management personnel is disclosed in note 3.

Under the FRS 102.33.1A Sch72(2) definition of related party transactions, other than those transactions listed above, the Association did not have any other related party transactions with any of the key management or Board personnel.

30. Ultimate controlling party

The Board considers that the Association’s immediate parent company is The Salvation Army Trustee Company, a company limited by guarantee and registered in England.
In the opinion of the Board, the ultimate controlling party is the General of The Salvation Army as defined by The Salvation Army Act 1980.

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Polish



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