



SALVATION ARMY HOUSING ASSOCIATION

REPORT & FINANCIAL STATEMENTS

**For the year ended
31 March 2020**

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Foreword by Nigel Hills, CEO

As I reach the end of my first year as CEO of saha, I am delighted to present our Report and Financial Statements for 2019-20.

I embarked on the role eagerly, inspired by the profound words of Catherine Booth, co-founder of The Salvation Army: "There is no improving the future without disturbing the present."

2019-20 has seen significant change at saha, including a full management restructure, now in its final stages. We have a dedicated Executive and Senior Management Team working together to ensure not only that our mission to Transform Lives continues to grow, but that we work harder and smarter to innovate and achieve great things.

We are reviewing our operating model which has resulted in the decommissioning of some services and disposal of assets during the year. We have paused development activity whilst we review our development strategy and look for new innovative approaches to development and the provision of new homes.

We have commenced our wholesale transformation programme to review our processes and ways of working and develop the blueprint for the future. The initial discovery stages have commenced, and although this has resulted in increased costs in the year, it is expected that this process will become self financing and in the longer term result in a return on investment, both financially and socially.

The impact of the global Covid-19 pandemic has been unprecedented and far-reaching. The devastation caused by the virus has changed the way we work and has compelled us to focus on the values that enable us to Transform Lives and allow our residents to fulfil their potential. I am privileged to have witnessed evidence of this silver lining at close hand. During these recent difficult weeks our people have demonstrated remarkable resilience, innovation and creativity in supporting our residents, with limited access to routine processes and infrastructure.

When our present was disrupted in ways that no one could have predicted, our objective to Transform Lives was never diminished and our determination to achieve our aim was strengthened. Our residents drive our strategies for achieving our goals in the future, with our Corporate Strategy putting them right at the heart of everything we do.

In this report we clearly demonstrate saha's desire to work harder to provide more homes, more beds, help more people and transform more lives. This will not be easy in our challenging socio-economic climate, and with the growing number of vulnerable people who need support. We are continually rethinking how we work to achieve positive outcomes.

Our vision for the future - John Matear, Chair of saha

Since retiring eight years ago as Territorial Commander of The Salvation Army United Kingdom Territory with the Republic of Ireland, it has been my profound privilege to serve as Chair of saha. It is humbling and inspiring to meet residents in a variety of schemes and Lifehouses across the country, and to observe just how much the provision of safe, affordable accommodation impacts and transforms the lives of individuals and their communities.

It is greatly encouraging to meet with our wonderful staff and I am proud to acknowledge their commitment to fulfilling saha's mission through excellence in people-focused service delivery.

Alongside fellow Board members, I am confident that saha is highly motivated and well placed to play its part in meeting the increasing need for good quality housing and support that represents present and future opportunity.

Strategic Report

Who we are

Salvation Army Housing Association ("saha" or "the Association") is a charitable provider of supported housing and support services across England. We provide a range of General Needs, Directly Managed Supported and Agency Managed Supported housing. In addition to providing high quality general needs accommodation for rent, our support offer focuses on providing services to rough sleepers, young homeless people, young mothers, families and ex-offenders.

The Association is registered under the Co-operative and Community Benefit Societies Act 2014 (registration no. 15210R) and is also registered with the Regulator of Social Housing (registration no. LH 2429).

Our Vision

saha will be an acknowledged provider of choice for Local Authorities, providing supported housing and community solutions to homelessness in conjunction with our parent The Salvation Army (TSA), where residents are provided with opportunities to develop their potential and transform their own lives.

Our Mission

saha's mission is 'Transforming Lives' by providing solutions to homelessness and enabling residents to develop their own potential.

Our SPIRE Values

Servant Leadership

saha is a Christian faith based organisation, with a participative, collaborative, encouraging and supportive leadership style.

Passion

Both corporately and personally, we have a strong desire and commitment to see those labelled as 'vulnerable' in society to develop, flourish and reach their full potential.

Inclusion

We seek to provide an environment where everyone has a sense of belonging, and where everyone feels both respected and valued.

Respect

We believe that everyone should show respect for all, whether they are residents, colleagues or delivery partners.

Effectiveness

We are solutions-focused, and are committed to achieving our objectives, and to Transforming Lives over the long term.

Principal activities

Our principal activities are the management and development 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 85 local authorities across England and have five main areas of operation:

1. **Agency Managed Supported Housing (1,763 bed spaces)**

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. These include 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. 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 (1,288 homes)**

We have a range of accommodation for mainly single people; we also have flats and houses for families. Generally, residents access this accommodation through local authority waiting lists as we have nomination arrangements in place with our local authority partners.

3. **Accommodation for the over 55s (293 bed spaces)**

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 is 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 (519 bed spaces)**

We directly manage a number of schemes throughout England, both managing the building and delivering the day to day management and support. As with our Agency Managed schemes these support a wide range of homeless people and families. 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.

5. **Registered Care Homes (58 bed spaces)**

We manage a number of registered care homes, both directly and working with our partnering agency to provide support and care for clients in a residential environment.

External contracts

Within Agency Managed Centres, we manage over 880 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 housing management accredited (HMA) service to supported housing providers.

We manage 253 HMA properties with our parent organisation The Salvation Army, providing a number of homeless services.

The student accommodation building at Waterloo is fully leased to Imperial College, providing 159 units of student accommodation in London.

Our Corporate Strategy

saha's Corporate Strategy 2016-21 highlights the organisation's key strategic priorities over the Strategy's lifespan. Delivering the Vision, Mission and Values outlined in the Strategy, saha's work focuses increasingly on its commitment to *Transform Lives*, through the provision of high quality accommodation and tailored support services. The Corporate Strategy is reviewed annually, to ensure that it reflects current business priorities

During 2019-20, strategic delivery focused on the following four *Strategic Priorities*:

- Transforming Lives
- Financial Viability and Good Governance
- Digitisation
- Organisational and Cultural Change

These priorities are reflected in the 2019-20 Year 4 Annual Plan, highlighting measurable, time-bound delivery objectives, senior delivery ownership and target outcomes.

Delivering our key objectives - 2019-20

Progress achieved in delivering saha's Year 4 Annual Plan objectives for 2019-20 are highlighted below:

2019-20 Corporate Objective	Outcomes Delivered
Transforming Lives	
Effectively deliver the outcomes of the Supported Housing Strategy ensuring a clear focus on saha's agreed client groups and geographical footprint.	<ul style="list-style-type: none"> • Tenders submitted throughout the year are consistent with saha's Tendering and Supported Housing Strategies.
Evaluate and quantify the impacts of saha's <i>Transforming Lives</i> activities, in line with the needs of its core client groups.	<ul style="list-style-type: none"> • Operational Project Group established to oversee the uniform gathering and analysis of social impacts data.
Develop new homes and schemes, directing resources to achieve saha's mission, as outlined in the <i>Asset Management Strategy</i> .	<ul style="list-style-type: none"> • Comprehensive review of saha's Development activities and commitments undertaken and reported to Board in December 2019. • Commitment to developing a revised Development approach and Strategy, to reflect saha's operational and financial capacity.

Financial Viability and Good Governance	
Develop saha's Business Transformation Programme, reflecting the needs of the business and its customers, including a clear delivery roadmap.	<ul style="list-style-type: none"> Scoping and Development of the Corporate Strategy 2020-25 is complete. The new corporate strategy has been produced and is on saha website – the themes will inform the emerging Business Transformation Programme.
Ensure that all housing and support services are subject to a review mechanism in order to assess social value and financial viability.	<ul style="list-style-type: none"> New viability and social impact metrics will be included in saha's revised KPI framework, with further work ensure that Board is fully sighted on all aspects of scheme viability, sustainability and social impacts. Joint working group established with TSA, to agree an approach to capture metrics for TSA managed services.
Maintain all our assets to a high standard, providing high quality accommodation for customers and protecting and enhancing the value of our assets.	<ul style="list-style-type: none"> Delivery of saha's 2019-20 Major Repairs programme at £2,292,744 was slightly below budget of £2,473,000, mainly due to lockdown measures at the end of March which delayed the completion of some works.
Maintain effective governance arrangements to enhance our efficiency and effectiveness.	<ul style="list-style-type: none"> G1 Improvement Plan progressed with limited actions remaining outstanding. Delivery and progress reporting continuing throughout 2020-21. Independent Board Effectiveness review work commissioned and executed.
Digitisation	
Establish a structure within the areas of IT and Transformation to support the delivery of saha's Digital Transformation Strategy, by utilising saha as well as external resources to maximise impact and investment.	<ul style="list-style-type: none"> Permanent Head of IT successfully recruited. Engagement of internal and external resources, to support the development of a new Corporate Strategy and Business Transformation Programme.
Develop a programme and carry out phased re-engineering of core business processes, so that they are lean and agile, to support our digital transformation.	<ul style="list-style-type: none"> Process review work has been reflected in the new Corporate Strategy and Business Transformation Programme.
Develop the next phase of saha's ICT infrastructure programme. The programme should enable and support the subsequent development of a comprehensive online customer portal solution, ensuring that, where customers are unable to engage digitally, we retain alternative communication channels.	<ul style="list-style-type: none"> Commencement of work to develop and adopt a comprehensive IT Strategy, to inform 'next steps' in saha's system development work. The approach reflects the organisation's transformation and digital strategies.

Organisational and Cultural Change	
Ensure that the way saha operates reflects its values.	<ul style="list-style-type: none"> Action plan to implement saha's agreed approach is live, incorporating key 'people' themes, to embed ongoing successes. Rolling <i>Learning and Development</i> Programme agreed and being implemented. <i>People Strategy</i> scoping commenced to reflect saha's revised Corporate Strategy 2020-25. New performance management system (<i>Over to You-OTY</i>) developed and rolled out across the business.
Ensure that our management resources are fit for purpose.	<ul style="list-style-type: none"> Comprehensive Induction programme and 'Management Essentials' learning resources developed and rolled out across the organisation.
Review the saha offer to staff to ensure we are an employer of choice.	<ul style="list-style-type: none"> Planning commenced, to develop the 'saha offer', to reflect the revised Corporate Strategy 2020-25.

Strategic Focus 2020-25

saha has produced a new Corporate Strategy for the period between 2020-25, ensuring that it continues to reflect emerging priorities and objectives. Work is ongoing, across the business, to agree the scope of planned activities and target outcomes, across the following:

- Continuing to recruit and nurture outstanding teams
- Having the right homes in the right places
- Delivering innovative and excellent support, housing and asset management services
- Continued financial viability

This approach is underpinned by saha's increasing emphasis on maximising its Social Return on Investment (SROI), in providing services to a wide range of client groups, ranging from families in general needs accommodation to people with highly complex support needs. We seek to serve people who are regarded as vulnerable by society, and who do not have access to the accommodation and support services they need. Through our focus on providing services that assist in *Transforming Lives*, we seek to translate this focus into tangible social return on our investment. This will be delivered through further developing our SROI metrics, in pursuit of evaluating and enhancing our social impacts.

Performance Overview

We have a balanced scorecard of key performance indicators grouped into the four key areas of; People, Residents, Homes and Business. A summary of the main indicators, and our reported performance as at year end 2019/20, 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 that is 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 2018/19 and 2019/20.

Performance indicators

People				
Performance Indicator	Year End 2018-19	Year End 2019-20	Target	Movement – current year v last year
Average number of days sickness per person	9.95 days	7.30 days	7.60 days	▼
Staff turnover	49.56%	42.74%	20.00%	▼
Average number of hours learning per person	26.23 hrs	16.15 hrs	35.00 hrs	▼
Staff engagement index	650.00	648.73	697.00	▼
Residents				
Performance Indicator	Year End 2018-19	Year End 2019-20	Target	Movement – current year v last year
Satisfaction with repairs	96.19%	95.68%	90.00%	▼
STAR overall satisfaction	89.31%	77%	90.00%	▼
Planned move on	74.66%	77.49%	80.00%	▲
Inspected schemes at 'Good' or 'Excellent'	88.84%	81.58%	85.00%	▼
AMS (TSA) – satisfied with the process	100.00%	80.00%	80.00%	▼
HMA – satisfied with the process	100.00%	100.00%	80.00%	-
Average time to answer inbound calls (in seconds)	16.70 secs	16.66 secs	20.00 secs	▼
Percentage of calls answered	99.31%	96.47%	98.00%	▼
Homes				
Performance Indicator	Year End 2018-19	Year End 2019-20	Target	Movement – current year v last year
Repairs completed in target (Handypersons)	99.33%	98.88%	96.00%	▼
Repairs completed in target (Contractors)	93.44%	93.02%	96.00%	▼
Repairs completed right first time	84.06%	87.38%	80.00%	▲
Gas safety inspections overdue	1.00	0.00	0.00	▼
Fire Risk Assessment (saha)	99.83%	97.64%	100.00%	▼
Fire Risk Assessment (Agency)	100.00%	97.45%	100.00%	▼
Periodic Inspection Report	90.17%	97.48%	100.00%	▲
Voids (tenantable and non tenantable)	6.12%	4.91%	2.00%	▼
Void rent loss	5.63%	3.06%	2.00%	▼
Average time to re-let voids	25.93 days	23.15 days	17.00 days	▼
Cash receipt property disposals	£686,000.00	£0.00	£500,000	▼
Surplus from property disposals	£133,678.00	£0.00	£500,000	▼
Average energy efficiency rating	68.49	70.04	69.00	▲

Business				
Performance Indicator	Year End 2018-19	Year End 2019-20	Target	Movement – current year v last year
Current tenant arrears (gross)	5.28%	5.46%	5.00%	▲
Current tenant arrears (net of HB/SS)	2.49%	3.69%	2.00%	▲
Former tenant arrears	2.51%	3.07%	1.00%	▲
Rent written off	1.06%	0.98%	1.00%	▼
Surplus as a % of turnover (social activities)	11.24%	7.04%	2.00%	▼
Central overhead as a % of turnover	20.81%	22.54%	10.00%*	▲
Return on assets (surplus / fixed asset)	1.48%	1.27%	0.13%	▼
Annualised management cost per unit	£1,822	£1,838	£1,404.00	▲
Annualised maintenance cost per unit	£1,032	£1,082	£891.00	▲
Interest cover covenant	2.01	2.22	1.15	▲
Cash covenant	£9.35m	£7.8m	£1.00m	▼
Gearing (loan covenant)	14.63%	14.19%	50.00%	▼

Green Good performance within or better than budget

Red Poor performance not at target level

Amber Not at target but better than or same as previous year end

STAR: Survey of tenants and residents **AMS:** Agency Managed Services **TSA:** The Salvation Army **HMA:** Housing Management Accreditation **DMS:** Directly Managed Services

*The target for overhead recovery was set based on a higher turnover value when TSA turnover was consolidated within saha accounts. The target will be refreshed to reflect the change in accounting treatment for 2020/21.

Targeted Performance Improvement

People

With overall improved performance from 2018/19, work is ongoing to address scope for performance improvement in:

- Staff turnover – to mitigate the adverse impacts of recent de-commissioning of services
- Applying saha's new Learning & Development strategy, and developing and applying a new People Strategy, to roll-out a range of new 'people' initiatives across the coming year.

Residents

To address a decline in resident satisfaction with overall services during 2019/20, saha is adopting a range of improvements, including:

- Commissioning an external company to undertake the STAR survey, the resultant report providing a basis for targeted action planning to address particular areas of dissatisfaction.
- A growing focus on 'planned move-on' from supported services, at individual service level, in order to achieve improved Transforming Lives impacts and outcomes.

Homes

Addressing required improvements in the management of our assets, we are:

- Improving on-target repairs completion performance, through reviewing processes across the Customer Services Team, including rigorous contractor monitoring, to improve key processes, and enhance performance outcomes.
- Taking full cognisance of the impacts of Covid-19 on saha's repairs service, by adopting a risk-based approach to dealing with anticipated repairs backlogs, in a structured way, in delivering the resumption of normal business.
- Strengthening the work of the Compliance Team, ensuring that all compliance indicators achieve performance target, with regular and robust assurance reporting to Board.

Business

In addressing performance against target gaps, we are:

- Addressing the rent arrears performance impacts of the wider roll-out of Universal Credit
- Proactively supporting those experiencing financial difficulty due to loss of employment or usual earnings due to the Covid-19 pandemic, including signposting to appropriate sources of Benefit or advice.
- Across Directly Managed services, addressing Housing Benefit issues that have impacted across the year, with challenges issued by saha, where appropriate
- Applying the findings of a recent internal audit on income recovery, to review current processes, including the management of current and former arrears, using *Mobysoft RentSense* software, across saha's centralised rent recovery team
- Costs per unit and overheads as a percentage of turnover are all higher than target. The transformation programme will review operations to streamline processes and reduce overheads to bring performance in line with an updated target

Risk Management

Our risk-aware approach to managing the business, acknowledges that our operating environment presents a number of specific risks relating to saha's prevailing funding models, alongside the safeguarding of vulnerable people.

Effective Risk Identification, Management, Assurance and Scrutiny

Risks are captured, monitored, updated and recorded in our online risk portal, reflecting the approach outlined in saha's *Risk Management Framework 2018*. The Framework provides clear guidance on sources of risk identification, risk categories, risk appetite, inherent and residual risk scoring, alongside saha's scheme of risk governance and reporting. Accordingly, the Corporate Risk Map ensures:

- Clear definition of individual risk scope, causes and effects
- Clear and transparent senior ownership of all risks identified
- Controls in place to manage each risk cause, alongside time-bound actions required to fully and effectively deliver risk controls
- Levels of assurance assigned for each risk control, including capture of assurance sources and documentation
- Recovery plans – for invocation if risks crystallise

All saha risks are regularly reviewed by the Executive, and are reported, on a quarterly basis, to both Audit and Risk Committee and Board. This is complemented by Executive's assurances to Board, on the effectiveness of the Association's internal control system.

The Risk Management Framework is complemented by rigorous and regular stress-testing, based on multi-variant scenario analysis, of the impacts of risk crystallisation on the business plan. These are regularly reviewed and scrutinised by saha's Executive, Audit and Risk Committee and Board.

Key internal controls

saha has an effective and comprehensive internal controls framework, focusing on the following suite of controls, designed to mitigate risks identified across the business:

- Clear Policies and Procedures
- Business Continuity and Disaster Recovery Plans
- Budget and financial plans
- Insurance Cover
- Clear delegation and limits of authority
- External accreditation in key areas
- Resident scrutiny panel
- Internal and external audit
- Quality Assurance (QA)
- Performance monitoring and reporting
- Effective Board and governance

2019-20 Key Risks and Uncertainties

saha continues to identify and actively manage a wide range of Strategic and Operational risks. Key Strategic risks and active mitigations are highlighted in the table below:

Key Risks And Uncertainties	Mitigations in place
Changes in Government Housing Policy and local funding adversely impacting our support services	A strong and proactive approach to understanding, evaluating and responding to our dynamic operating environment.
Failure to effectively manage our Strategic relationship with our parent, impacts negatively on the business, & our ability to meet needs of our vulnerable customers	Developing a transparent and collaborative relationship with our parent, and other key stakeholders, to maximise the synergy and resilience of our business outcomes.
Failure to anticipate and implement alternative viable uses for our supported housing assets.	Close partnership working with our parent and other key partners to maximise our ability to adapt our business model and asset base, to address the challenges and opportunities posed by our funding and operational landscape.
Failure to evidence performance in respect of Transforming Lives.	Further developing our <i>Social Purpose Metrics</i> framework, to reflect and measure our Transforming Lives activities and programmes- ensuring maximum positive impact for our residents.
A failure to plan and deliver an effective Business Transformation Programme.	Building, resourcing and delivering a focused transformation programme, aimed at maximising the efficiency and efficacy of our activities and the long term viability and resilience of the business.
Failure to effectively manage the implications of the Covid-19 pandemic	Business continuity plan invoked; emergency budget created; financial plan refreshed and stress tested to consider longer term implications on cash flow.

Controls assurance

The Board acknowledges its responsibility and accountability for the Association's system of internal control, and for reviewing its effectiveness. Board accepts that the controls assurance system provides *reasonable, rather than absolute*, assurance against material misstatement or loss.

The process we follow for identifying, evaluating, quantifying and managing the risks faced by the business 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 introduction and embedding of its online risk management portal, has significantly enhanced the efficiency, transparency and dynamism of risk management across the business.

Although the Covid-19 outbreak towards the end of the financial year created some upheaval, saha immediately implemented the business continuity plan setting up gold and silver command teams to deal with the emerging issues. The organisation quickly adapted to remote working, and therefore, this did not affect our ability to obtain sufficient controls assurance.

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

To further fulfil its compliance responsibilities, the Board approves, and regularly reviews, a wide range of controls frameworks, resources and policies, to maximise the overall efficacy of its internal controls.

saha's engagement of an external, independent internal auditor ensures a strategic approach to risk management and performance improvement.

Assurances are derived from the following functions and processes, providing key sources of evidence for the Board, to utilise in reviewing the effectiveness of saha's system of internal control.

Audit and Risk Committee

The Audit and Risk 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

saha works with a formally procured and engaged independent internal audit service provider, whose work is carried out in accordance with International Standards. saha's internal audit approach is based on a risk-based programme of independent audit scrutiny.

The internal auditors report annually to the Audit and Risk 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 and Risk Committee to present reports and to report on management progress in implementing agreed recommendations. The work of the internal auditor is planned and agreed on the basis of a review of the main risks to which the business is exposed. A rolling programme is undertaken to cover all key systems of controls.

The Annual internal audit Report for the year ended **31 March 2020** states that in the opinion of the Internal auditor, saha has in place an adequate framework for identifying, evaluating and managing risks.

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 audit findings letter for the financial year to 31 March 2020 identified two best practice recommendations to improve the control environment.

Reports from the Regulator of Social Housing (RSH)

The RSH clearly sets out its viability assessment criteria, in the Governance and Financial Viability Standard of its regulatory framework. Following a scheduled IDA during the last quarter of 2018-19. The result of the IDA, published in April 2019, was a governance downgrade from G1 to G2 and re-confirmation of its existing V2 viability rating. Both G2 and V2 are considered regulatory compliant judgements.

saha seeks to invest maximum resources into achieving the mission of Transforming Lives and as a result is a low margin provider. saha strives to deliver a financially viable business, but accepts that the low operating margin subsequently results in a V2 viability rating.

saha has developed a robust *G1 Improvement Plan*, aimed at returning to a G1 Governance grading. The Plan has been agreed and endorsed by the Regulator, with delivery progress regularly reviewed and scrutinised by Board. Significant progress has been made across the Plan's key themes, including enhancing Board's strategic oversight, further developing saha's strategic relationship with its parent, risk management and stress testing and wider planned governance improvements, all reflecting a strong commitment to continuous improvement and effective governance across the business.

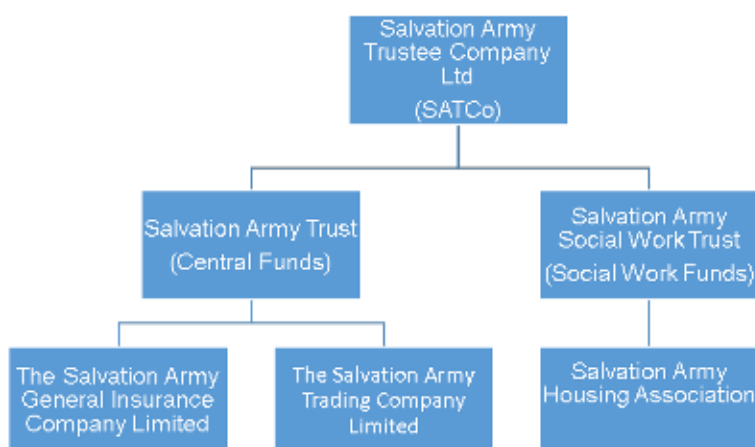
Training & Personal Development

Training plans and personal development initiatives are key elements of our approach to managing human resources; encompassing both staff training needs analysis and Board Members' training. During 2019-20, significant investment has been made in developing and rolling out a Learning and Development Strategy and programme across the business. Regular staff supervision and annual appraisals, applying saha's new *Over to You* performance appraisal system, help to identify and address learning and development needs.

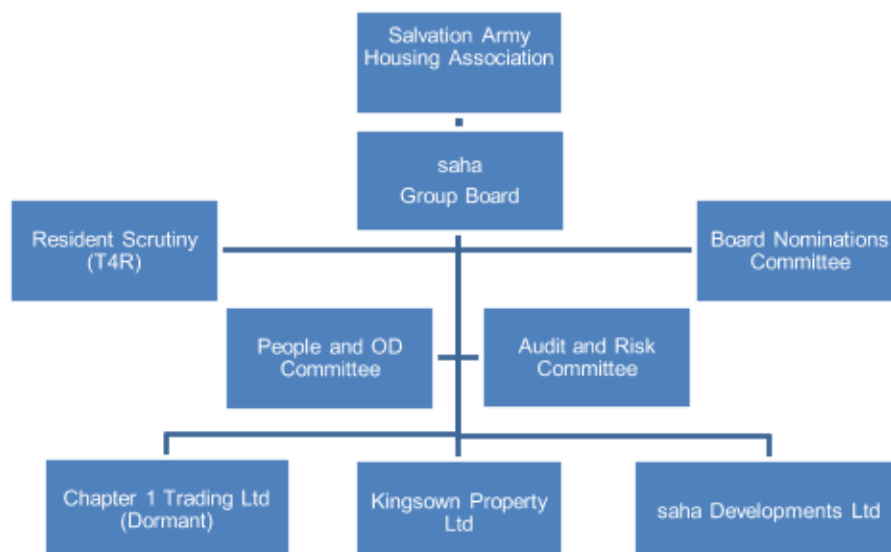
Governance Report

As a registered provider of social housing, saha is committed to achieving the highest standards of corporate governance. saha's Board is responsible for the oversight of the Association's strategies, risk management framework, values, ethics and performance. saha has adopted the National Housing Federation's (NHF) Code of Governance (2015 Edition) and the NHF Code of Conduct 2012. An assessment of its compliance with both codes is conducted annually.

saha was formed in 1959 by The Salvation Army. It has since grown to be a national provider of social housing and associated support services. In 2011 the relationship between saha as a Registered Provider of social housing (RP) and The Salvation Army, was formalised by a change of rules which enshrined the parent status of SATCo and was approved by the Regulator of Social Housing (RSH). saha's position within The Salvation Army Group is shown in the chart below.



saha's internal governance structure is shown in the chart below.



Group Board and Executive

Group Board

Current Board Members		
Commissioner John Matear (P)	Chair, The Salvation Army Nominee	Appointed July 2012
Maggie Cameron-Ratchford (P)	Deputy Chair, Independent, People and Organisational Development Committee Chair	Appointed July 2011 Retires July 2020
Peter Taylor (A)	Independent	Appointed December 2015
Jennifer Laurent-Smart (P)	The Salvation Army Nominee	Appointed May 2014
Alistair Heron	Independent	Appointed March 2017
Ruby Judt	The Salvation Army Nominee	Appointed January 2019
Nigel Hills	Chief Executive	Appointed May 2019
Maureen Hopcroft	Independent	Appointed June 2019
Bob Beaumont	Independent	Appointed June 2019
Andrew Lawrence (A)	Independent, Audit and Risk Committee Chair	Appointed May 2019
Lieut-Colonel Drew McCombe	The Salvation Army Nominee	Appointed January 2020
Board Members who have retired during the financial year		
Andrew Taylor (A)	Independent, Audit and Risk Committee Chair	Appointed May 2010 Retired May 2019
Lieut. Colonel Alan Burns	The Salvation Army Nominee	Appointed January 2019 Resigned June 2019
Nigel Parrington	Chief Executive	Appointed September 2006 Retired April 2019

(A) Audit and Risk Committee member

(P) People and Organisational Development Committee member

The Executive

Current Executive Management Team Members		
Nigel Hills	Chief Executive	Appointed CEO May 2019
Suzanne Forster	Strategic Finance Consultant	Since February 2019
Sean Hughes	Executive Director of Operations	Appointed May 2020
Former Executive Management Team Members who served during the financial year		
Nigel Parrington	Chief Executive	Retired April 2019
Geanna Bray	Director of Housing, Care and Customer Services	Redundant December 2019
Tony Bacon	Director of Asset Management	Redundant July 2019
Anne McLoughlin	Interim Executive Director of Operations	Resigned May 2020
Argiri Papatios	Executive Director of Corporate Services	Resigned May 2020

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

Code of Governance Compliance

In adopting the NHF Code of Governance 2015 and the NHF Code of Conduct 2012, saha is committed to upholding these codes. As a Christian faith organisation, saha requires the Chair to be a practising Christian and have a good understanding of The Salvation Army. This is considered to be a Genuine Occupational Requirement, but deviates from best practice within the NHF code.

Board composition

The Board consists of a minimum of five and a maximum of twelve members and at the 31st March 2020, the Board comprised 11 members 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. Board members are drawn from a wide background bringing together professional, commercial and customer experience.

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 oversight and delegates the day-to-day management of the Association to the Chief Executive and the Executive Team.

saha's Standing Board Committees

- Audit and Risk Committee – responsible for overseeing external audit, internal audit, effectiveness of internal controls, monitoring the Association's risk identification and mitigation, reviewing the financial statements and overseeing the annual Value for Money (VfM) assessment.
- People and OD Committee – responsible for overseeing the remuneration of staff, Board and Committee members, approval of relevant learning, development and remuneration policies and developing and monitoring progress against annual learning and development plans for Board and Committee members.
- Board Nominations Committee – responsible for the recruitment process, interview and selection of candidates for membership of the saha Board, and to make recommendations to the saha Board ensuring that candidates possess the requisite skills and experience to fulfil the duties of a Board member.

Key areas of focus during the year

Governance Improvement Plan

Following the In-Depth Assessment by the Regulator of Social Housing and subsequent governance downgrade in April 2019, saha's Governance Improvement Plan focuses on a number of areas for improvement, notably refocusing the Board on its strategic oversight across the organisation and addressing the Regulator's concerns around saha's relationship with its parent, The Salvation Army.

Substantial progress has been made against the plan in preparation for a reassessment by the Regulator in due course. This includes:

- Board and Committee training focused on becoming more strategic.
- Refreshed terms of reference for the Board and Committees to ensure appropriate strategic focus and oversight.
- Implementation of a new Board Assurance Framework
- Development of strategic report writing with significant improvement noted in the papers presented to Board and Committees
- Joint executive and working groups set up with The Salvation Army which has fostered closer collaboration and more clarity around the relationship with saha's parent.

Board appraisal and development

The Board undertakes an individual and collective self-appraisal every year. 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.

As part of the Board's succession planning, four new Board members were recruited and two members left the Board. The recruitment of new members allowed saha to strengthen the Board and address skills gaps which had been identified in the prior year's appraisal and skills review.

Senior Management Restructure

During the year a new management structure was developed and implemented. This has created an Executive Management Team and Senior Management Team, which is much stronger and who work closely together to allow more effective decision making, agile working and devolved responsibilities, resulting in an organisation which is much better positioned to meet the challenges which it faces now and in the future.

REPORT OF THE BOARD

The Board presents its report together with audited financial statements for the year ended 31 March 2020.

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 a 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. This is noted in the Regulatory Judgement. Sensitivity testing undertaken on the financial plan gives assurance that the plan is financially viable.

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

In respect of governance, the Regulatory Judgement (issued as a result of the IDA) noted the significant work which we had undertaken to successfully re-model and integrate Chapter 1 assets and services within the business, following the merger in 2017/18. However, in achieving this, the Regulator noted that Board had found it necessary to give increased focus on operational issues and now needs to

strengthen its strategic oversight across the whole business. Work has been undertaken to strengthen strategic focus of the Board and forms a key part of the Association's Governance Improvement Plan.

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:

	2020	2019
	£000's	£000's
Turnover	34,003	36,131
Operating costs	(31,135)	(32,751)
Net interest payable	(1,451)	(1,540)
Revaluation gain on investment property	974	953
Surplus for the year	2,391	2,793
Re-measurement of SHPS obligation	-	(1,925)
Actuarial gains / (losses) in respect of pension scheme	2,620	(1,084)
Total comprehensive income / (expenditure) for the year	5,011	(216)

The following table shows the summary statements of financial position for the past two years:

	2020	2019
	£000's	£000's
Total fixed assets	188,050	188,359
Net current assets	729	1,212
Loans and other long term creditors	(121,580)	(127,384)
Reserves	67,199	62,187

Communication to stakeholders

We communicate performance and other information through resident newsletters, via our website and using various social media. This report contains an assessment of performance on value for money. The report is located on our website and is signposted for 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 current Covid-19 pandemic and subsequent lockdown has resulted in major works being suspended. As the lockdown eases, work will re-commence in line with government guidelines. The catch up of works has been factored into the financial plan. A stock condition survey has been commissioned to inform the future investment profile of saha stock.

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 Link Asset Services (Treasury Advisers) 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 by the RSH, 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 £30.0m (2019: £30.6m). This debt is borrowed wholly from banks in the UK and The Housing Finance Corporation (THFC).

Treasury management is the responsibility of the Executive Director of Finance, or equivalent senior finance consultant. The Treasury Management policy is reviewed annually and approved by the Board.

The current policy is to maintain between 60% and 80% of borrowings at fixed rates of interest. The actual level of fixed rate borrowings is currently 61%.

An Annual Financial Plan is prepared by the Executive Director of Finance, or equivalent senior finance consultant, 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:

	2020	2019
	£000's	£000's
< 1 year	1,552	1,592
1 - 2 years	1,561	1,550
3 - 5 years	11,108	10,325
> 5 years	15,808	17,160
	30,029	30,627

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.

Capital structure and treasury management policy continued

Compliance against loan covenants is as follows:

Key loan covenants		2020	2019
Income cover	level	> £0	> £0
Operating surplus excluding property depreciation, donation, amortised grant and capitalised repairs	actual	£2.91m	£3.38m
Cashflow	level	> £1m	> £1m
	actual	£7.79m	£9.3m
Interest Cover	level	>1.10	>1.10
EBITDA-MRI:Net Interest Payable	actual	2.22	2.19
Gearing	level	< 50%	< 50%
Properties at Cost / Gross debt	actual	14%	15%

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

Cashflows

We experienced a net decrease in cash and bank balances in the year of £1.5m (2019: £9.0m decrease), and a net decrease in loans of £0.6m (2019: £6.7m decrease). The draw down from the revolving credit facility was £5.5m of the £12m available.

Current liquidity

Cash and bank balances at the year end were £7.8m (2019: £9.3m). Net current assets were £0.7m (2019: £1.2m).

Going concern

The Board has considered the implications of the Covid-19 pandemic on cashflows and 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 2018 SORP Update for Registered Providers.

Statement of compliance with the Governance & Financial Viability standard.

The Board completes an annual assessment of compliance with the Regulator's Governance & Financial Viability Standard. In its 2019-20 compliance assessment review, reported to Board in March 2020, saha identified scope to reinforce its compliance with some aspects of the Standard. These relate to ongoing discussions with its parent, TSA, on the ongoing funding structures of its leased schemes. The Association has communicated its compliance assessment to the Regulator, and is implementing a joint approach to the funding review, in partnership with TSA.

Movement in fixed assets

Details of movements in fixed assets are set out in notes 8, 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 promoting, reinforcing and embedding a coaching and strengths based approach. In supporting employees to realise their potential, saha staff are supported, through regular supervision, team meetings, *Over to You* performance appraisals and collaborative agreement on learning and development needs and opportunities.

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, with all staff undertaking training in equality, diversity and inclusion.

We strive to ensure that staff have access to safe working environments, and that they are adequately trained in Health & Safety knowledge to carry out everyday tasks, with minimal risk to themselves and others. A separate Health & Safety staff group regularly reviews Health & Safety good practice and compliance, right across the business.

Rent policy

We set rents for the 2019/20 year in accordance with The Regulatory Framework for Social Housing – Rent Standard Guidance 2015 and the Welfare Reform and Work Act 2016 - social rent reduction.

We have produced a rent plan which incorporates the principles of Rent Restructuring, as determined by the Regulator of Social Housing (RSH) 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 on-going 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. Saha have recently commissioned a further stock condition survey to ensure that the information is robust and will be used to inform future investment programmes.

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, Grant Thornton, all relevant information needed in connection with performing the audit.

Auditor

A resolution to appoint Grant Thornton as auditor for 2020-21 will be laid before the Annual General Meeting on 24 September 2020.

BY ORDER OF THE BOARD 23 JULY 2020



Chairman
Commissioner John Matear

VALUE FOR MONEY

What Value for Money means to saha

saha is committed to delivering high quality services to all of our customers and our focus is upon tackling homelessness and supporting the most vulnerable people in society. saha therefore seeks to apply its resources, experience and expertise to deliver optimal value from our activities for the benefit of residents.

saha's mission, values and priorities seek to maximise social value from our activities and investments. Our commitment to Transforming Lives through the provision of high quality accommodation, support and self-developmental opportunities for our customers is a core saha business driver. Value delivered therefore, through a combination of efficiency, effectiveness and 'Transforming Lives' outcomes, defines our success as a provider.

Value for Money (VfM) is fundamental to delivering key business outcomes outlined in saha's Corporate Strategy 2016-21, and its associated annual updates and Annual Plans. The Corporate Strategy encompasses the following strategic priorities, all of which focus on delivering VfM efficiencies to support our target outcomes and deliver for our customers:

- Financial viability and good governance
- Digitisation
- Organisational focus

This is underpinned by the Regulator's Value for Money Standard and the associated Value for Money Code of Practice.

What Value for Money Savings did we achieve in 2019/20?

During 2019/20 saha has gone through a period of significant change and commenced an extensive transformation programme. This has involved a major restructure of the Executive and Senior Management Teams. This significant change in the management structure has resulted in a period of discovery; reviewing and redefining service delivery.

A key principle for the redefining of the back office service delivery is to implement and embed a 'self-serve' approach across all functions with improved communication and collaboration and access to 'real time' information. This has included investment in the following areas:

- Rollout of PowerBI and development of in-house skills to build reporting functionality
- Rollout of Microsoft Teams across laptops and mobile devices to improve virtual meetings and reduce the need for travel
- Upgrade of the finance system to provide 'real time' dashboards improving the access to financial information and provide the management information to efficiently and effectively manage budgets
- Introduced Skillgate to rollout training and awareness systems
- Development of a procurement portal which enables saha to manage all tendering activity in house
- Created a self-serve Health & Safety portal to improve the health and safety culture across the organisation and introduced a weekly KPI scorecard to reduce Health & Safety risks and overdue actions

Value for Money (continued)

What Value for Money Savings did we achieve in 2019/20? (continued)

We have recently appointed a senior Corporate Procurement Manager to develop our procurement framework and ensure that we maximise VfM in all procurement activity. We aim to improve the quality of the services we procure without increasing costs and we will select suppliers who understand our values. A key criteria will be to request details around how new contracts will have a positive social impact on our residents. The re-tendering of contracts has commenced in 2019/20 with a planned programme to follow over the next 2 years. Examples of procurement activity during the year are:

- Reverse e-auctions for supply of electricity and gas
- Renegotiation of recruitment fees and daily rates for support staff
- Re-tender of repairs and maintenance contracts, commercial laundry appliances and legionella control and monitoring contracts
- Review of contracts with suppliers to transfer gas service costs from commercial contract to domestic resulting in lower rate per service

As a result of the increased investment and service re-design, saha has also delivered some cashable efficiency savings and productivity improvements during the year.

- Review of voids process improving turnaround times which has resulted in increased income
- Introduction of new framework for service reviews including remote meetings reducing travel and subsistence cost
- Restructure of Business Assurance team and deferred recruitment of vacant posts whilst still maintaining service delivery.

Although savings have been delivered during the year, the full year benefits of these measures are expected to materialise in 2020/21 and future years. The full year impact of the savings of £436,769 equates to 1.7% of operating costs. The ongoing impact of the savings is demonstrated in the table below.

Efficiency/Improvement	2020 Saving £	2021 Forecast Saving £	2022 Forecast Saving £	2023 Forecast Saving £
Procurement	59,631	268,641	149,500	149,500
Process Reviews	41,241	141,141	133,104	133,104
Staff savings	61,931	-	-	-
Other	13,170	26,987	1,000	1,000
External Funding	5,500	-	-	-
Total	181,473	436,769	283,604	283,604

Value for Money (continued)

The Value for Money Standard 2018 requires saha to report against the financial metrics set out within this statement. As we continue to develop our own social purpose metrics, we will ensure that we use these alongside our VFM metrics to clearly demonstrate how we have used our resources to build capacity to continuously improve our service offer.

What did we do with these savings?

The savings identified have been utilised to invest in the transformation programme. This programme will ensure that our working practices and business processes are streamlined and as efficient and effective as possible. Starting with a discovery process, we are establishing the 'as is' processes and mapping the future business blueprint. Initially we are seeking quick wins to create the capacity, resources and momentum for desired change. The process has required initial investment, but will become self-funding in the long term with a return on the investment, financially and socially.

We have also commissioned a full stock condition survey to fully inform our future investment programme.

How our Costs compare to others

We have benchmarked our financial metrics against the group of supported housing organisations using the global account data for 2019. This supported housing group comprises:

- Advance
- Bournemouth Churches
- Christian Action
- Central and Cecil
- Habinteg
- Look Ahead
- Progress HA
- St Mungos

It is important that we understand why our costs per unit (CPU) are different to other organisations and we recognise the above group consists of many differing support providers both in percentage and type of support provision. This group, identified for benchmarking, by the Regulator, will each need to prove efficiency and effectiveness in fulfilling their many different mission aims and objectives. As the organisations in the peer group are so very different it is difficult to extract meaningful benchmarking information. Therefore, saha are equally focused on analysing the direction of travel on our costs per unit and performance against our targets.

Value for Money (continued)**How Our VfM Metrics and KPIs compare to others**

VFM Metric	Description	saha 2020	saha 2019	Peer Group 2019
Homes in Management		3,921	3,995	28,828
1	Reinvestment	2.3%	2.5%	3.2%
2A	New Supply Delivered (Social Housing Units)	0.4%	1.0%	0.9%
2B	New Supply Delivered (Non Social Housing Units)	0.0%	0.44%	0.07%
3	Gearing	14.2%	13.4%	25.9%
4	EBITDA MRI (Interest Cover)	243.3%	223.4%	235.8%
5	Headline Social Housing Cost Per Unit	£6,651	£6,911	£9,589
6A	Operating Margin (Social Housing Lettings only)	4.4%	11.3%	15.2%
6B	Operating Margin	7.9%	8.1%	10.6%
7	Return on Capital Employed (ROCE)	1.4%	1.6%	2.5%

What the Metrics Show Us

The above table details saha results for 2019/20 against 2018/19 as well as the overall peer group results for last year 2018/19.

The metrics show an improvement of interest cover, a reduction in social housing cost per unit and an overall operating margin in line with previous years. The overall operating margin at 7.9% is below the peer group, and saha's aspirations are to achieve a 10% operating margin in future years through the transformation programme.

However, the operating margin on social housing lettings has reduced significantly and is much lower than the peer group. This is mainly due to the review and reallocation of overheads from other activities. It is anticipated that the transformation programme will deliver significant overhead savings and improve the operating margin in future years.

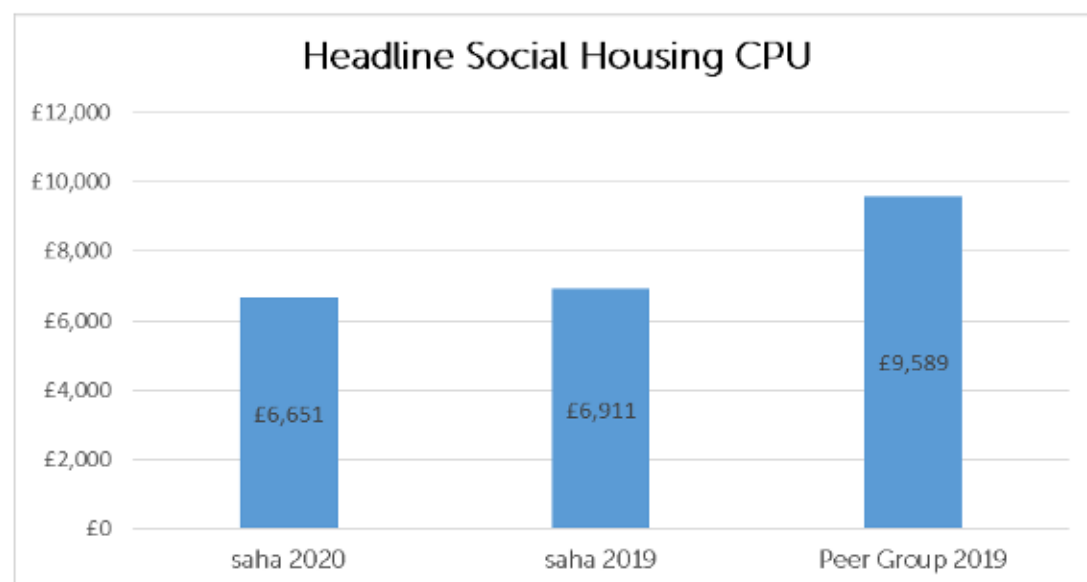
Value for Money (continued)

The headline social housing cost per unit is impacted by the level of service and support costs inherent in the provision of such accommodation and programmes for our customers, however, saha compares favourably with other members of the peer group. This position does not affect our desire to demonstrate efficiencies year on year.

saha reviews each business stream and is able to analyse cost per unit for each activity.

Graphs showing CPU benchmarking data

The following graphs compare saha performance with our peer group. In all instances saha's costs per unit are lower than the peer group. The graphs also detail saha's performance in 2019/20 to provide a direction of travel comparison.

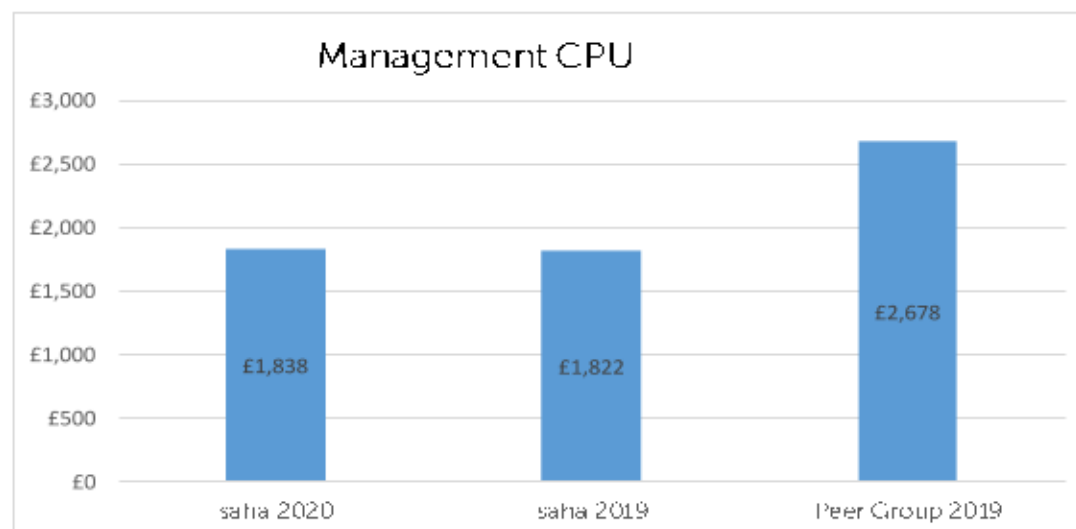


The overall cost per unit for 2019/20 is £6,651 a decrease of £260 compared to 2018/19 and a reduction of £379 compared to the budgeted position of £7,030. This is partly due to the decommissioning of some services part way through the year and the impact of lockdown due to the coronavirus pandemic which reduced expenditure in the last month of the year. The overall cost is significantly lower than the benchmark peer group.

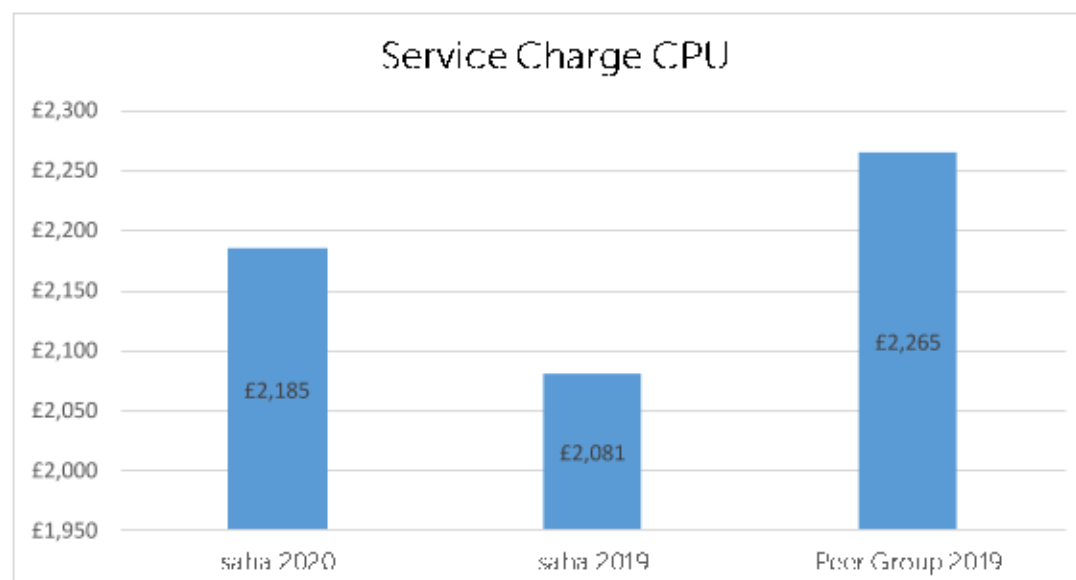
Value for Money (continued)

Graphs showing CPU benchmarking data (continued)

saha's management costs per unit have increased slightly by £16 compared to 2018/19. This is mainly due to the one off costs of the significant restructure of the executive and senior management teams, along with the business transformation costs. It is anticipated that the business transformation process will become self-financing in the short term with a return on investment, both financial and social, in the longer term. saha's management cost per unit compares favourably to the benchmark peer group.



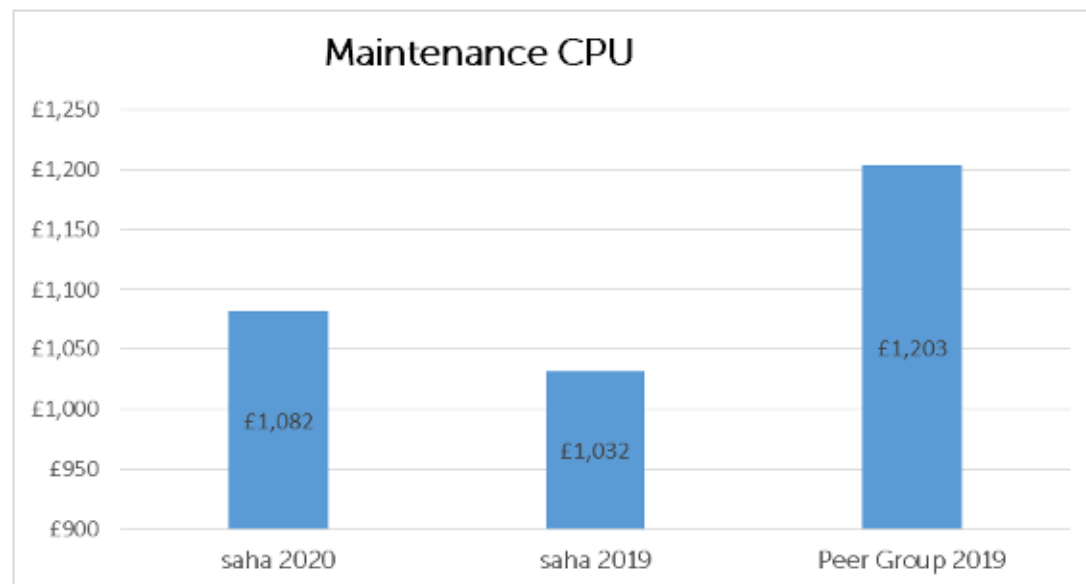
Service charge cost per unit has increased significantly, by £104, compared to 2018/19. This is mainly due to increased repairs and maintenance costs on communal areas, emergency lighting, alarms, smoke detectors, fire equipment and door entry following fire risk assessments.



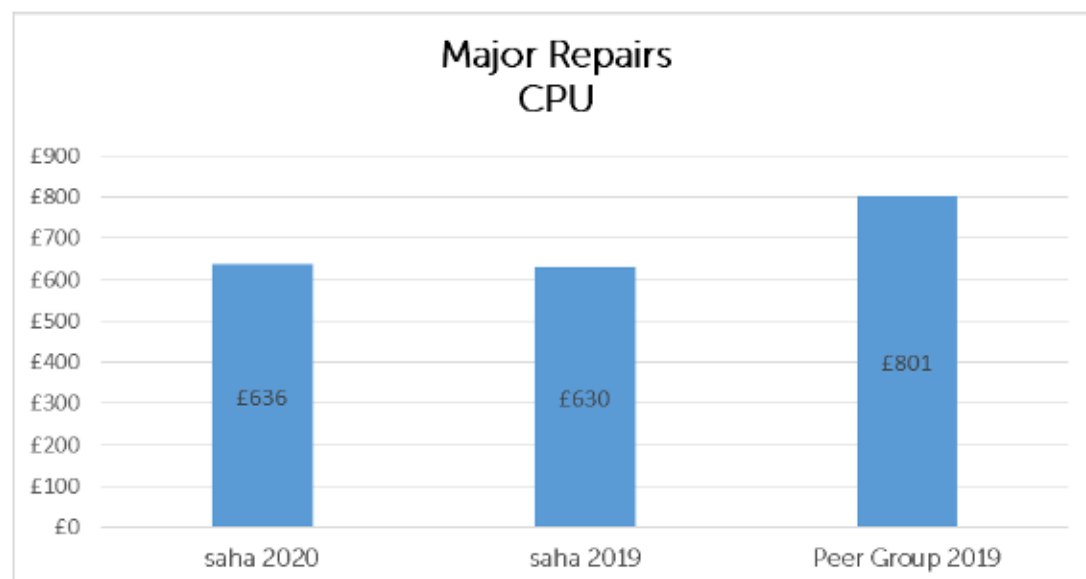
Value for Money (continued)

Graphs showing CPU benchmarking data (continued)

Maintenance cost per unit has increased by £50 compared to 2018/19 mainly due to increased voids costs and increased vandalism costs. A voids working group was established during the year to reduce costs and improve turnaround times. The outcomes from the working group resulted in the costs reducing in the second half of the year.



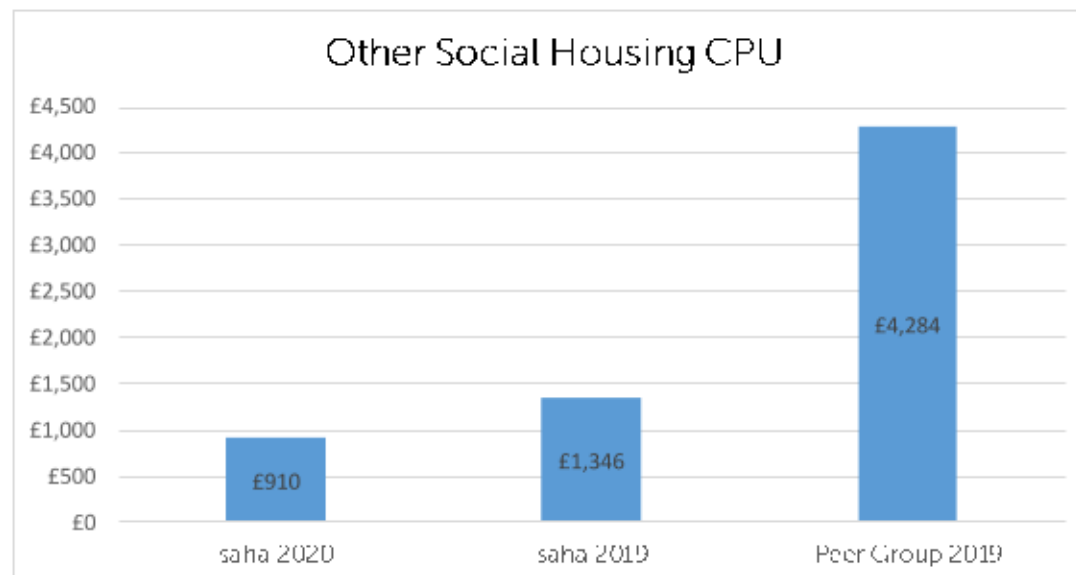
Additional investment in fire safety works and external cladding has resulted in the major repairs cost per unit increasing slightly, by £6 since 2018/19.



Value for Money (continued)

Graphs showing CPU benchmarking data (continued)

Other social housing cost per unit has decreased by £436 since 2018/19. This is mainly due to the decommissioning of several social enterprise activities and the transfer of the student accommodation to a third party lease. The transfer of the lease has subsequently resulted in the reallocation of overheads from other social housing to social housing.



Value for Money (continued)

What Our Projected Metrics Reveal

The following table is an extract from the current business plan

VFM Metric – Forecast for 31 March		2020	2021	2022	2023
Business Year		Actual	1	2	3
Social Housing Units		3,921	3,639	3,639	3,639
Non Social Housing Units		159	159	159	159
Unit Numbers		4,080	3,798	3,798	3,798
1	Reinvestment	2.3%	1.2%	1.5%	1.6%
2A	New Supply Delivered (Social Housing Units)	0.4%	0%	0%	0%
2B	New Supply Delivered (Non Social Housing Units)	0%	0%	0%	0%
3	Gearing (Net Book Value of Housing Properties)	14.2%	13.4%	12.8%	12.0%
4	EBITDA MRI (Interest Cover)	243.3%	246.7%	236.0%	258.8%
5	Headline Social Housing Cost Per Unit	£6,651	£6,839	£7,092	£7,261
6A	Operating Margin (Social Housing Lettings only)	4.4%	12.1%	11.9%	12.0%
6B	Operating Margin overall	7.9%	11.1%	11.2%	11.2%
7	Return on Capital Employed (ROCE)	1.4%	2.3%	2.5%	2.7%

The financial plan details a level of social housing supply aimed at continuing to fulfil and achieve the mission objectives. The plan demonstrates that saha has a financially viable base from which to continue successfully delivering its mission objectives.

The plan is based on the 'business as usual' budget prior to the implications of the coronavirus pandemic and also includes efficiency savings targets of £1m to be achieved through the transformation programme. During 2020/21, saha is planning to decommission a number of loss making services and to dispose of some assets as part of the stock rationalisation programme. These stock reductions and an increase in major repairs will result in higher costs per unit over the short term as demonstrated in the table above.

It is anticipated that the combination of these measures will result in an improved operating margin, both overall and on social housing lettings, achieving saha's aspiration to achieve an operating margin of 10%. Any savings in excess of this are likely to be reinvested into additional services to transform more lives.

Value for Money (continued)

Social Purpose Metrics

saha's Corporate Strategy 2016-21 reflects the organisation's commitment to 'Transforming Lives'. During 2019-20, Board identified the following key areas, in which saha can positively impact the lives of its most vulnerable residents - achieved through working with residents on a range of personal development and capacity building initiatives.

- **Strong relationships**- a significant factor in promoting life satisfaction
- **Emotional and mental health** - key determinants of individuals' future ability to develop a sense of coherence in their lives.
- **Meaningful use of time** - a key determinant in ensuring residents develop a future strategy for sustainment of the life changes they have developed within a service
- **Managing a tenancy** - key to sustaining independent living after leaving a saha service

Whilst the measurement of these qualitative outcomes is challenging, saha is strongly committed to maximising positive outcomes for residents, across these key parameters. This is reflected in prioritising the ongoing development of its social impact evaluation and measurement approach, across the business.

During 2019-20, and using its current data capture approach, the following outcomes were achieved across saha's directly managed supported housing portfolio:

Planned Moves KPI

In 2019- 20, 77.49% of residents moved-on in a planned way

Housing related support outcomes (former *Supporting People* outcomes)

	Total residents supported	Number of residents who achieved an outcome	%
Maximised Income	390	342	88%
Reduced Debt	233	162	69%
Obtained Paid Work	135	55	41%
Participated in Education and Training	254	168	66%
Established Contact with External Services	337	287	85%
Better Managed Physical Health	212	173	82%
Better Managed Mental Health	283	212	75%
Better Managed Substance Misuse	191	106	55%
Better Managed Self-Harm	84	61	73%
Total	2,119	1,566	74%

Value for Money (*continued*)

Transforming Lives and HACT Social Value (Validated during 2019)

To assess the social impact of our transforming lives activities, saha works with Housing Associations Charitable Trust (HACT) to validate its projects, using a wellbeing valuation approach. This is designed to measure the success of social interventions, by how much these initiatives increase people's wellbeing.

saha delivers a wide variety of projects and initiatives, across our supported housing services. These include:

- Residential activities
- Music
- Film production
- Counselling
- Physical health interventions

During 2019, the HACT evaluation model was applied across these initiatives. The model indicates that saha's portfolio of projects generated a net social value of **£603,000**.

HACT validation takes place, *only after projects are fully completed*. Therefore, full validation for projects undertaken by saha during 2019-20 will follow completion of these projects.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SALVATION ARMY HOUSING ASSOCIATION

Opinion

We have audited the financial statements of Salvation Army Housing Association (the 'society') for the year ended 31 March 2020, which comprise statement of comprehensive income, statement of changes in equity and reserves, statement of financial position and statement of cash flows, and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including Financial Reporting Standard 102; The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the society's affairs as at 31 March 2020 and of its income and expenditure for the year then ended;
- 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 2019.

Basis for opinion

We have been appointed as auditor under the Co-operative and Community Benefit Societies Act 2014 and report in accordance with regulations made under that Act. We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the society in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the directors and the related disclosures and the appropriateness of the basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company associated with these particular events.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SALVATION ARMY HOUSING ASSOCIATION (CONTINUED)**Emphasis of matter – uncertainty in relation to valuation of investment property**

We draw attention to Note 8 to the financial statements, which describes the basis for valuing investment property. Management engaged an expert to value their investment property portfolio. The expert's valuation included a 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty and a higher degree of caution should be attached to management's valuation than would normally be the case. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

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

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

In our evaluation of the directors' conclusions, we considered the risks associated with the society's business, including effects arising from Brexit, and analysed how those risks might affect the society's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the society will continue in operation.

Other information

The board is responsible for the other information. The other information comprises the information included in the Annual Report, set out on pages 3 to 36 other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SALVATION ARMY HOUSING ASSOCIATION (CONTINUED)**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 society 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.

Responsibilities of the board for the financial statements

As explained more fully in the Statement of Board's Responsibilities set out on page 20, the board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SALVATION ARMY HOUSING ASSOCIATION (CONTINUED)**Use of our report**

This report is made solely to the society's members, as a body, in accordance with regulations made under Section 87 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the society'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 society and the society's members as a body, for our audit work, for this report, or for the opinions we have formed.

Grant Thornton UK LLP

Grant Thornton UK LLP

Statutory Auditor, Chartered Accountants
30 Finsbury Square
London
EC2A 1AG

Date: 23/7/2020

S A L V A T I O N A R M Y H O U S I N G A S S O C I A T I O N


STATEMENT OF COMPREHENSIVE INCOME for the year ended 31 March 2020

	Notes	2020 £	2019 £
Turnover	2A/2B	34,002,651	36,131,394
Operating expenditure	2A/2B	(31,135,376)	(32,751,024)
Operating surplus		2,867,275	3,380,370
Interest receivable	5	29,441	67,406
Interest and financing costs	6	(1,480,122)	(1,607,472)
Gain on revaluation of investment properties	8	974,602	952,886
Surplus for the financial year	7	2,391,196	2,793,190
Remeasurement of SHPS obligation	22	-	(1,925,000)
Actuarial gain / (loss) in respect of pension scheme	22	2,620,000	(1,084,000)
Total comprehensive income / (expenditure) for financial year		5,011,196	(215,810)

All amounts relate to continuing operations.

The accompanying notes on pages 46 - 84 form part of these financial statements.

These financial statements were approved and authorised by the Board on 23 July 2020



Chairman
Commissioner John Matear



Board Member
Margaret Cameron-Ratchford



Company Secretary
David Chrystal

S A L V A T I O N A R M Y H O U S I N G A S S O C I A T I O N

STATEMENT OF CHANGES IN EQUITY AND RESERVES for the year ended 31 March 2020

	Share Capital	Revenue Reserve	Restricted Reserves	Revaluation Reserves	Total
	£	£	£	£	£
Balance as at 31 March 2018	7	56,038,986	6,364,468	-	62,403,461
Deficit for the year	-	(215,810)		-	(215,810)
Transfers from revenue reserves to revaluation reserves		(952,886)		952,886	-
Transfers from revenue reserves to restricted reserves	-	(48,264)	48,264	-	-
Shares issued/ (cancelled) (net)		-	-	-	-
Balance as at 31 March 2019	7	54,822,026	6,412,732	952,886	62,187,651
Surplus for the year	-	5,011,196			5,011,196
Transfers from revenue reserves to revaluation reserves		(974,602)		974,602	-
Transfers from revenue reserves to restricted reserves	-	32,831	(32,831)	-	-
Shares issued/ (cancelled) (net)	3	-	-	-	3
Balance as at 31 March 2020	10	58,891,451	6,379,901	1,927,488	67,198,850

The accompanying notes on pages 46 - 84 form part of these financial statements.

S A L V A T I O N A R M Y H O U S I N G A S S O C I A T I O N

STATEMENT OF FINANCIAL POSITION as at 31 March 20

	Notes	2020 £	2019 £
Fixed assets			
Housing properties	10	157,012,693	158,219,887
Property, plant and equipment	11	1,036,765	1,139,526
Investment properties	8	30,000,000	29,000,000
Investments	12	51	51
		188,049,509	188,359,464
Current assets			
Debtors	13	2,161,939	2,701,672
Cash and cash equivalents	14	7,798,279	9,347,695
		9,960,218	12,049,367
Creditors: amounts falling due in less than one year	15	(9,230,690)	(10,837,242)
Net current assets		729,528	1,212,125
Total assets less current liabilities		188,779,037	189,571,589
Creditors: amounts falling due after more than one year	15	(119,558,187)	(122,335,938)
Provision for liabilities:			
- Defined benefit obligation	22	(2,022,000)	(5,048,000)
Net assets		67,198,850	62,187,651
Capital and reserves			
Called up share capital	19	10	7
Restricted reserves	20	6,379,901	6,412,732
Revenue reserve		58,891,451	54,822,026
Revaluation Reserve	20	1,927,488	952,886
		67,198,850	62,187,651

The accompanying notes on pages 46 - 84 form part of these financial statements.

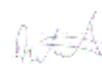
The financial statements were approved by the Board on 23 July 2020 and signed on its behalf by:



Chairman
Commissioner John Matear



Board Member
Margaret Cameron-Ratchford



Company Secretary
David Chrystal

S A L V A T I O N A R M Y H O U S I N G A S S O C I A T I O N

STATEMENT OF CASH FLOWS for the year ended 31 March 2020

	Notes	2020 £	2019 £
Operating surplus	2A	2,867,275	3,380,370
Amortisation of grants		(2,766,184)	(2,782,286)
Depreciation charges	7	4,665,324	4,508,995
Accelerated depreciation	2B/ 7/10	512,647	400,277
Abortive development costs		148,874	-
Gain on disposal of tangible fixed assets	2A/4	-	(133,678)
Decrease/(Increase) in debtors		539,733	(36,130)
(Decrease) in creditors		(1,544,941)	(1,239,582)
(Deduct) pension adjustment		(547,067)	(228,993)
Net cash from operating activities		3,875,661	3,868,973
Investing activities			
Interest received	5	29,441	67,406
Grants received	17	624,000	561,000
Additions to PPE	8/10/11	(4,087,368)	(5,892,786)
Proceeds on disposal of PPE	4	-	686,000
Net cash used in investing activities		(3,433,927)	(4,578,380)
Financing activities			
Interest paid		(1,392,621)	(1,487,380)
New loans		2,500,000	4,500,000
Loans repaid		(3,098,532)	(11,231,868)
Share issue	19	3	-
Net cash used in financing activities		(1,991,150)	(8,219,248)
(Decrease) in cash and cash equivalents		(1,549,416)	(8,928,655)
Cash and cash equivalents at beginning of the year	14	9,347,695	18,276,350
Net cash and cash equivalents at 31 March	14	7,798,279	9,347,695

The accompanying notes on pages 46 - 84 form part of these financial statements.

S A L V A T I O N A R M Y H O U S I N G A S S O C I A T I O N

STATEMENT OF CASH FLOWS for the year ended 31 March 2020 (continued)**Analysis of changes in net debt March 2020.**

	At 1 April 2019	Cash flow	Other non – cash movements	At 31 March 2020
	£	£	£	£
Cash and cash equivalents	9,347,695	(1,549,416)	-	7,798,279
Housing Loans due within one year	(1,592,165)	40,344	-	(1,551,821)
Housing Loans due after more than one year	(29,035,011)	558,189	-	(28,476,822)
Total	(21,279,481)	(950,883)	-	(22,230,364)

The accompanying notes on pages 46 - 84 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS – Year ended 31 March 2020**1. Legal status and accounting policies****Legal Status**

Salvation Army Housing Association is registered with the Regulator of Social Housing (RSH) 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 2018 Update) and comply with the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing - 2019 ("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 of the Association have been prepared 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.

The financial statements are those of the Association only. These financial statements have not been consolidated to include the results of its subsidiaries, Kingsown Property Limited, saha Developments Limited, and Chapter 1 Trading Limited - a dormant Company. 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.

NOTES TO THE FINANCIAL STATEMENTS – Year ended 31 March 2020 continued**1. Accounting policies (continued)****Going concern**

After reviewing the Association's forecasts and projections, and considering the implications of the Covid-19 pandemic on cashflows, the Board has a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Association 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.

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.

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

After initial recognition investment property is measured at its fair value based on the valuation by an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and class of the investment property valued. A property is let on a short lease and fully managed by Imperial College as student accommodation with no involvement from saha, this building has been classed as an investment property and treated as such within these financial statements. An annual valuation of this property has been carried out in line with accounting requirements which results in an increase in the valuation, although a caveat in relation to the uncertainty on valuations as a result of the coronavirus pandemic has been included within the valuation.

Properties rented to provide social housing 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.

NOTES TO THE FINANCIAL STATEMENTS – Year ended 31 March 2020 continued**1. Accounting policies – significant management judgements (continued)***Housing property impairments*

Social housing properties are held for their service potential and are not held solely for the cash inflows generated. Therefore if an impairment indicator exists or is triggered by events outlined in the SORP an assessment process is utilised to determine whether or not an impairment provision should be accounted for. This assessment process identified indicators of impairment as detailed below for 2019/20.

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.

The measurement of the recoverable amount of assets for impairment and the calculation of depreciation replacement cost

Impairments are recognised where management believes there is an indication of impairment, for example the decline in the future economic benefits or the service potential of an asset, over and above the depreciation charged for that asset's use and therefore the carrying amount of an asset exceeds its recoverable amount or replacement cost. During the year assessment of impairment carried out by management has given rise to an impairment provision of £272,078.

*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 as at 31 March 2020 was £54,615,027.

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.

Investment Property Valuation

The investment property, Xenia student accommodation, is subject to an annual valuation. The valuation of £30,000,000 carried out by Savills, includes a general material uncertainty clause due to the uncertainty of future income collection due to the coronavirus pandemic. The future income from this type of accommodation, location, demand and the standing of Imperial College who lease the building from saha mitigate against this uncertainty.

NOTES TO THE FINANCIAL STATEMENTS – Year ended 31 March 2020 continued**1. Accounting policies – estimation uncertainty (continued)***Bad debt provision*

The gross trade debtors balance of £1,480,352 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.

Defined benefit obligation

Management's estimate of the defined benefit obligation is based on a number of critical underlying assumptions such as standard rates of inflation, mortality, discount rate and anticipation of future salary increases. Variation in these assumptions may significantly impact the liability and the annual defined benefit expenses (as analysed in Note 23). The net defined benefit pension obligation at 31 March 2020 was £2,022,000.

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 the 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 arm's 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.

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

NOTES TO THE FINANCIAL STATEMENTS – Year ended 31 March 2020 continued**1. Accounting policies (continued)***Financial instruments (continued)*

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 prepayments in the Statement of Financial Position.

The Association is party to a multi-employer (SHPS) pension scheme administered independently by TPT Retirement Solutions.

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 to
- 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

NOTES TO THE FINANCIAL STATEMENTS – Year ended 31 March 2020 continued**Turnover and revenue recognition (continued)**

- 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.
- Surplus/Deficit on property disposals.

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 at an effective rate of interest.

Tangible assets: Property, plant and equipmentHousing 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 (structure)	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

NOTES TO THE FINANCIAL STATEMENTS – Year ended 31 March 2020 continued**1. Accounting policies (continued)**

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.

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.

NOTES TO THE FINANCIAL STATEMENTS – Year ended 31 March 2020 continued**1. Accounting policies (continued)**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:

Office Equipment	Hardware & Software 33% per annum New Business Systems 10% - 20% per annum	
Office Furniture	20%	per annum
Scheme Furniture	25%	per annum
Vehicles	33%	per annum

Sales of housing properties

Where housing properties are disposed of during the year, the surplus or deficit is accounted for within the turnover 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.

Investment Properties

Properties held for market rent or commercial lettings are included as investment properties, and are recorded at fair value with changes in the market value reported annually in the statement of comprehensive income. The fair value of the investment property is determined by using valuation undertaken by Savills, an independent professional valuer.

Government grants

Government grants include grants receivable from Homes England, local authorities, and other government organisations. Government grants received for housing properties are recognised in income over the useful life of the housing property structure (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.

NOTES TO THE FINANCIAL STATEMENTS – Year ended 31 March 2020 continued**1. Accounting policies (continued)**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 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.

NOTES TO THE FINANCIAL STATEMENTS – Year ended 31 March 2020 continued**1. Accounting policies (continued)**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 vatiable 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.

Schemes managed by agents

The Association has an agreement with a third party 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 this one agent. The values of the transactions associated with that particular agency managed schemes are included in the Statement of Comprehensive Income. Debtors and creditors of these Agency Managed schemes held in the books and records of that 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. Since entering into a new management agreement last financial year, The Salvation Army sits within this category where their figures are no longer included in the financial statements.

With respect to the Agency Managed schemes, the total turnover for the year included in these financial statements amounted to £11.5m (2019: £11.4m) and total operating costs amounted to £10m (2019: £9.7m).

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 21 for detailed explanations and purpose of the reserves).

NOTES TO THE FINANCIAL STATEMENTS – Year ended 31 March 2020 continued**1. Accounting policies (continued)**Revenue reserves

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

Revaluation reserve

Revaluation reserve reflects the value fluctuation in relation to Association's investment property. Transfers are made between cumulative surpluses and revaluation reserve.

S A L V A T I O N A R M Y H O U S I N G A S S O C I A T I O N

NOTES TO THE FINANCIAL STATEMENTS – Year ended 31 March 2020 continued**2A. Particulars of turnover, operating expenditure and operating surplus / (deficit) for the year**

	2020			2019		
	Turnover £	Operating Expenditure £	Operating Surplus / (Deficit) £	Turnover £	Operating Expenditure £	Operating Surplus / (Deficit) £
Social housing lettings (Note 2B):						
General Needs accommodation	7,203,423	(7,018,402)	185,021	7,841,601	(6,649,934)	1,191,667
Supported Housing and Housing for Older People	18,864,181	(17,895,899)	968,282	19,212,829	(17,352,395)	1,860,434
Other – Foyers	1,645,387	(1,578,413)	66,974	1,562,499	(1,385,021)	177,478
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	27,712,991	(26,492,714)	1,220,277	28,616,929	(25,387,350)	3,229,579
Other social housing activities:						
Charges for support services	2,680,392	(2,866,664)	(186,272)	3,512,020	(3,794,555)	(282,535)
Gift Aid Donation	193,989	-	193,989	350,030	-	350,030
Contributions from Agencies	709,053	-	709,053	528,302	-	528,302
Other income: Managing Agents	22,581	-	22,581	19,854	-	19,854
Association	821,103	(517,134)	303,969	1,227,924	(1,340,361)	(112,437)
Gain on disposal of tangible fixed assets	-	-	-	133,678	-	133,678
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	32,140,109	(29,876,512)	2,263,597	34,388,737	(30,522,266)	3,866,471
Activities other than social housing activities:						
Registered Care	364,242	(540,767)	(176,525)	374,203	(410,056)	(35,853)
Student Accommodation	1,486,268	(410,177)	1,076,091	1,140,203	(914,890)	225,313
Social Enterprise	12,032	(307,920)	(295,888)	228,251	(903,812)	(675,561)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	34,002,651	(31,135,376)	2,867,275	36,131,394	(32,751,024)	3,380,370
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

S A L V A T I O N A R M Y H O U S I N G A S S O C I A T I O N

NOTES TO THE FINANCIAL STATEMENTS – Year ended 31 March 2020 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	2020 Total	2019 Total
	£	£	£	£	£	£
Income						
Rent receivable net of identifiable service charges and voids	5,870,003	6,323,967	3,451,999	495,449	16,141,418	17,095,941
Service charge income	614,416	2,551,127	4,317,741	1,000,655	8,483,939	8,428,137
Support income	-	-	213,155	-	213,155	170,745
Amortised government grants	719,004	1,575,639	404,421	52,983	2,752,047	2,768,148
Other revenue grants	-	-	26,132	96,300	122,432	153,958
Turnover from social housing lettings	7,203,423	10,450,733	8,413,448	1,645,387	27,712,991	28,616,929
Expenditure						
Management	1,891,017	3,664,906	1,407,960	243,006	7,206,889	7,280,968
Service charge costs	809,843	2,680,572	4,098,129	978,215	8,566,759	8,314,960
Routine maintenance	1,943,266	1,035,540	975,971	113,129	4,067,906	3,900,542
Planned maintenance	4,595	8,526	158,037	4,878	176,036	221,572
Major repairs expenditure	171,859	473,273	316,199	2,633	963,964	1,004,952
Bad debts	209,911	30,685	348,860	56,413	645,869	159,459
Depreciation of housing properties	1,615,849	1,618,642	638,349	63,602	3,936,442	3,892,807
Property Impairment	231,000	-	-	-	231,000	-
Additional depreciation on components replaced	140,426	75,834	295,497	890	512,647	370,999
Other costs	636	6	68,913	115,647	185,202	241,091
Operating costs on social housing lettings	7,018,402	9,587,984	8,307,915	1,578,413	26,492,714	25,387,350
Operating surplus on social housing lettings	185,021	862,749	105,533	66,974	1,220,277	3,229,579
Void losses (being rental income lost as a result of property not being let, although it is available for letting)	(137,932)	(69,367)	(425,438)	(26,983)	(659,720)	(1,021,513)

NOTES TO THE FINANCIAL STATEMENTS – Year ended 31 March 2020 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:

	2020 £	2019 £
Aggregate emoluments (including pension contributions and benefits in kind) paid to key management personnel are made up as follows:		
Board and Committee members – Including employer's NI contributions (see page 60*)	57,245	44,434
Executive Management Team – Excluding employer's NI contributions	641,351	576,640
	698,596	621,074
Total employer's pension contributions in respect of directors	18,735	25,504
Emoluments of highest paid director, the Chief Executive (excluding pension contributions, including benefits in kind)	149,642	142,655
Employer's pension contributions in respect of the Chief Executive	7,454	6,247

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.

S A L V A T I O N A R M Y H O U S I N G A S S O C I A T I O N

NOTES TO THE FINANCIAL STATEMENTS – Year ended 31 March 2020 continued**3. Key management personnel and employee information (continued)**

Salaried Board and Committee members*

	2020	2019
	£	£
Mr J Matear	12,465	12,493
Mr A Taylor (Resigned May 2019)	1,000	6,000
Mrs M Cameron-Ratchford	6,000	6,000
Mrs J Laurent-Smart	4,500	4,500
Mr P Taylor	4,500	4,500
Miss S Bissell (Resigned June 2019)	376	1,488
Mr S Iqbal	1,562	1,536
Mr J Upsher	1,500	1,500
Mr A Heron	4,000	4,000
Mrs E Akojie	1,500	1,750
Mrs R Judt	4,000	667
Mr A Lawrence	6,000	-
Ms J Robinson	1,288	-
Mr I Watson	1,288	-
Ms M Hopcroft	3,133	-
Mr B Beaumont	3,133	-
Mr A McCombe	1,000	-
	57,245	44,434

Employee information

	Number Average	Number Full-time equivalent	Number Average	Number Full-time equivalent
	2020	2020	2019	2019
	No.	No.	No.	No.
Average number of employees:				
Staff engaged in managing or maintaining housing stock	66	58	71	61
Staff providing central administration services	42	41	41	39
Staff providing support & services	250	137	286	170
	358	236	398	270

NOTES TO THE FINANCIAL STATEMENTS – Year ended 31 March 2020 continued**3. Key management personnel and employee information (continued)**

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.

	2020 £	2019 £
Staffing costs:		
Wages and salaries	7,762,027	8,550,720
Redundancy Costs	194,658	263,173
Social security costs	701,683	745,276
Other pension costs (see note 23)	838,240	705,430
	9,496,608	10,264,599
Temporary agency staff costs	1,807,062	1,295,024

In the year 2019-20, there was a major restructure of the whole of Executive and Senior management team. This had resulted in 7 of the posts out of 11 mentioned in the banding information identified below losing their office. The total aggregated loss of office payment for the posts is £317,648 and there was a provision set aside in the 2018-19 accounts to cover some of these costs. These payments had affected the banding breakdown for 2019-20 in comparison to the previous year.

As part of this restructure process the management team had consisted of several interim consultancy posts costs for which are covered under the Temporary agency staff costs. Within these costs, the consideration paid for Director's office services is £289,103.

The full-time equivalent number of directors and staff whose remuneration (including compensation for loss of office) is payable in relation to the period of account and falling within each band of £10,000 from £60,000 upwards is as follows:

	2020 <u>No.</u>	2019 <u>No.</u>
£60,001 to £70,000 (includes 2 posts for loss of office)	2	1
£70,001 to £80,000	2	2
£80,001 to £90,000 (includes 1 posts for loss of office)	1	-
£90,001 to £100,000	-	1
£100,001 to 110,000	-	2
£110,001 to £120,000 (includes 2 posts for loss of office)	3	1
£130,001 to £140,000	-	1
£140,001 to £150,000	1	-
£150,001 to £160,000 (includes 1 posts for loss of office)	1	-
£180,001 to £190,000 (includes 1 posts for loss of office)	1	-
	11	8

NOTES TO THE FINANCIAL STATEMENTS – Year ended 31 March 2020 continued**8. Investment Property**

	2020	2019
	£	£
At 1 April 2019	29,000,000	26,500,000
Additions during the year	25,398	1,547,114
Property revaluation adjustment- increase in value	974,602	952,886
	<hr/>	<hr/>
Investment property valuation at year end	30,000,000	29,000,000
	<hr/>	<hr/>

This property at Waterloo, London is used for student accommodation. The revaluation undertaken by Savills, professional external valuers at 31 March 2020 has resulted in an increase in the property valuation, and this increase has been recognised through the revaluation reserve for investment properties. This valuation has been carried out on the basis of "material valuation uncertainty" in light of the Covid-19 situation. The valuer further recommends that given the unknown future impact that Covid-19 might have on the real estate market, this property should be subject to frequent review.

9. Taxation

The Association is registered with the Regulator of Social Housing and is exempt from liability to taxation on its income and capital gains arising from charitable activities. All activities were charitable during the year.

S A L V A T I O N A R M Y H O U S I N G A S S O C I A T I O N

NOTES TO THE FINANCIAL STATEMENTS – Year ended 31 March 2020 continued**10. Housing properties**

	Completed housing properties	Housing properties under construction	2020 Total
	£	£	£
Cost			
At 1 April 2019	207,980,149	1,401,246	209,381,395
Additions during the year	3,602,551	64,702	3,667,253
Replacements of components	(1,019,272)	-	(1,019,272)
Disposals during the year	(225,834)	(175,822)	(401,656)
Transferred during the year	991,860	(991,860)	-
At 31 March 2020	211,329,454	298,266	211,627,720
Depreciation			
At 1 April 2019	51,161,508	-	51,161,508
Charge for the year	3,936,846	-	3,936,846
Additional depreciation charged on components replaced	512,647	-	512,647
Property Impairment	231,000	-	231,000
Released on Asset Write off	(207,702)	-	(207,702)
Released on components replaced	(1,019,272)	-	(1,019,272)
At 31 March 2020	54,615,027	-	54,615,027
Net book value at 31 March 2020	156,714,427	298,266	157,012,693
Net book value at 31 March 2019	156,818,641	1,401,246	158,219,887
		2020	2019
Housing properties at net book value comprise:		£	£
Freeholds		83,926,330	86,211,988
Long leaseholds		63,266,729	61,623,325
Short leaseholds		9,819,634	10,384,574
		157,012,693	158,219,887

Additions to properties included £38,806 (2019: £105,000) at March 2020 for administrative, direct and other indirect costs.

In the year ended accounts of 2018-19, the properties located at Primrose Hills and Crossfield Street were categorised as Freeholds however the properties should have been classified as Long Leaseholds, hence an adjustment of £1,496,415 on the comparative figures of 2018-19 has been made between the categories.

S A L V A T I O N A R M Y H O U S I N G A S S O C I A T I O N

NOTES TO THE FINANCIAL STATEMENTS – Year ended 31 March 2020 continued**Works to existing properties:**

	2020	2019
	£	£
Works to existing properties	2,499,860	3,212,002
Less: Amounts capitalised in housing properties components	(1,527,962)	(1,512,734)
Amounts capitalised for investment property	-	(288,647)
	<hr/>	<hr/>
Amounts charged to the Statement of Comprehensive Income	971,898	1,410,621
	<hr/>	<hr/>
Social Housing Activity - Note 2B	963,964	1,004,952
Activities other than Social Housing – Student Accommodation	7,934	405,669
	<hr/>	<hr/>
Amounts charged to the Statement of Comprehensive Income	971,898	1,410,621
	<hr/>	<hr/>

S A L V A T I O N A R M Y H O U S I N G A S S O C I A T I O N

NOTES TO THE FINANCIAL STATEMENTS – Year ended 31 March 2020 continued**11. Tangible Fixed Assets – Property, plant and equipment**

	Office Equipment £	Office Furniture £	Scheme Furniture £	Vehicle £	2020 Total £
<u>Cost</u>					
At 1 April 2019	3,119,066	161,896	1,174,548	5,444	4,460,954
Additions during the year	121,605	12,588	260,524	-	394,717
Disposals during the year	(10,333)	(1,337)	(60,561)	-	(72,231)
At 31 March 2020	3,230,338	173,147	1,374,511	5,444	4,783,440
<u>Depreciation</u>					
At 1 April 2019	2,405,209	64,903	846,148	5,168	3,321,428
Charge for the year	257,271	28,861	169,992	276	456,400
Asset Impairment	41,078	-	-	-	41,078
Eliminated on disposals during the year	(10,333)	(1,337)	(60,561)	-	(72,231)
At 31 March 2020	2,693,225	92,427	955,579	5,444	3,746,675
<u>Net book value</u>					
At 31 March 2020	537,113	80,720	418,932	-	1,036,765
At 31 March 2019	713,857	96,993	328,400	276	1,139,526

NOTES TO THE FINANCIAL STATEMENTS – Year ended 31 March 2020 continued**12. Investments**

	2020	2019
	£	£
Cost of shares in wholly owned subsidiaries (see notes a & b below)	51	51
	51	51

- a) Kingsown Property Limited, a wholly owned subsidiary of saha, 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 saha. Under section 98 Paragraph 2 of the Co-operative and Community Benefit Societies Act 2014, saha is exempt from preparing Group Financial statements, 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.

	2020	2019
	£	£
<u>Kingsown Property Limited</u>		
Profit for the year before tax	294,312	261,662
Net assets	1,702,397	1,563,421
Revenue reserves	1,502,397	1,363,421

Operating lease payments made to the subsidiary for the year amounted to £896,058 (2019: £865,756) at 31 March 2020 the amount owed by Kingsown to the Association was £20,372 (2019: £17,983); the amount due to Kingsown from the Association was £1,543 (2019: £nil). The Association also received a gift aid donation of £155,336 (2019: £300,118) from Kingsown.

NOTES TO THE FINANCIAL STATEMENTS – Year ended 31 March 2020 continued**12. Investments (continued)**

- b) saha Developments Limited, a wholly owned subsidiary of saha, 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 saha. Under section 98 Paragraph 2 of the Co-operative and Community Benefit Societies Act 2014, saha is exempt from preparing Group Financial statements, including saha Developments Limited.

	2020	2019
	£	£
<u>saha Developments Limited</u>		
Loss for the year before tax	(10,686)	38,653
Net assets	(2,232)	47,107
Revenue reserves	(2,233)	47,106

saha made payments to saha Developments for property works £2,852,627 (2019: £2,535,912), saha developments raised invoices to saha at cost plus an agreed mark up of 5%. At 31 March 2020 the amount owed by saha Developments to the Association was £nil (2019: £1,694); the amount due to saha Developments from the Association was £23,861 (2019: £243,284). The Association also received a gift aid donation of £38,653 (2019: £49,912) from saha Developments.

NOTES TO THE FINANCIAL STATEMENTS – Year ended 31 March 2020 continued**13. Debtors**

Amounts falling due in less than one year:

	2020	2019
	£	£
Rent and service charges receivable	1,480,352	1,369,834
Provision for bad debts	(1,287,791)	(806,352)
Net rental and service charge debtors	192,561	563,482
Prepayments and accrued income	668,448	659,751
Other debtors	523,410	511,266
Loans due from subsidiary undertakings	249,999	249,999
Amounts due from subsidiary undertakings	20,372	19,677
Amounts due from parent undertaking	507,149	697,497
	2,161,939	2,701,672

14. Cash and cash equivalents

	2020	2019
	£	£
Cash at bank and in hand	6,621,150	8,178,323
Short term deposits	1,177,129	1,169,372
	7,798,279	9,347,695

15. Creditors

Amounts falling due within one year:

	2020	2019
	£	£
Trade creditors	1,410,654	1,968,305
Prepayment for rent and service charges	1,044,593	653,954
Deferred income and accruals	2,254,894	3,044,838
Other creditors	90,579	86,123
Housing loans (see note 17)	1,551,821	1,592,165
Amounts due to subsidiary undertakings	25,405	243,285
Amounts due to parent undertaking	60,726	466,655
Deferred capital grants (see note 18)	2,792,018	2,781,917
	9,230,690	10,837,242

NOTES TO THE FINANCIAL STATEMENTS – Year ended 31 March 2020 continued**15. Creditors (continued)**

Amounts falling due after more than one year:

	2020	2019
	£	£
<u>Housing loans</u>		
Loans repayable between 1 and 2 years by instalments	1,561,115	1,550,086
Loans repayable between 3 and 5 years by instalments	11,108,066	10,324,684
Repayable after five years by instalments and a bullet repayment	15,807,641	17,160,241
Total housing loans (see note 17)	28,476,822	29,035,011
<u>Deferred capital grants</u>		
Social housing grants	88,013,781	90,068,056
On transfer of engagements	-	-
Other public grants	1,307,496	1,307,496
Total deferred capital grants (see note 18)	89,321,277	91,375,552
Recycled capital grant fund (see note 19)	1,618,155	1,753,375
Multi-employer pension scheme (see note 23)	141,933	172,000
	119,558,187	122,335,938

NOTES TO THE FINANCIAL STATEMENTS – Year ended 31 March 2020 continued**16. Housing loans**

Housing loans are from private finance raised through UK banks and financial institutions, these are secured by charges on the Association's specific housing properties, and are repayable between 2020 and 2044, and interest charged at varying rates between 1.45% and 11.50% as follows:

	2020 £	2019 £
Housing loans		
Loans at 1.45%	-	54,000
Loans at 1.55%	147,933	-
Loans at 1.65%		210,865
Loans at 1.73%	1,500,000	-
Loans at 2.14%	1,000,000	-
Loans at 2.20%	500,000	-
Loans at 2.24%	2,500,000	-
Loans at 2.25%	-	202,453
Loans at 2.29%	196,139	2,000,000
Loans at 2.36%	-	2,500,000
Loans at 2.60%	4,024,713	-
Loans at 2.75%	1,738,416	1,846,754
Loans at 3.25%	-	4,235,615
Loans at 4.10%	4,272,388	4,496,269
Loans at 4.13%	1,689,655	1,839,655
Loans at 5.20%	3,000,000	3,000,000
Loans at 5.35%	-	1,800,000
Loans at 5.55%	1,650,000	-
Loans at 6.31%	7,255,493	7,770,081
Loans at 9.20%	520,186	623,249
Loans at 9.38%	2,883	4,270
Loans at 9.50%	20,126	28,547
Loans at 10.50%	6,870	6,959
Loans at 11.50%	3,841	8,459
Total Housing Loans	30,028,643	30,627,176
	2020 £	2019 £
Housing loans		
Housing loans due after more than one year	28,476,822	29,035,011
Housing loans due within one year	1,551,821	1,592,165
Total housing loans	30,028,643	30,627,176

NOTES TO THE FINANCIAL STATEMENTS – Year ended 31 March 2020 continued**17. Deferred capital grants****Analysis of deferred capital grants**

	2020	2019
	£	£
Opening balance at 1 April	94,157,469	96,737,920
Additions in the year	624,000	561,000
Reclassification of Assets	-	(354,831)
Released to income in the year	(2,797,992)	(2,782,286)
Moved to recycled capital grant fund (see note 19)		(104,051)
Moved from recycled capital grant fund (see note 19)	148,000	83,250
Released on disposal of property	(18,182)	16,467
	<hr/>	<hr/>
Closing balance at 31 March	92,113,295	94,157,469
	<hr/>	<hr/>
	2020	2019
	£	£
Classified as:		
Amounts to be released within one year (note 16)	2,792,018	2,781,917
Amounts to be released in more than one year (note 16) - restated	89,321,277	91,375,552
	<hr/>	<hr/>
Closing balance at 31 March	92,113,295	94,157,469
	<hr/>	<hr/>

The total Social Housing Grant or Financial Assistance received and receivable, both capital and revenue, for the year was £624,000 (2019: £561,000). The cumulative amount of Social Housing Grant or Financial Assistance receivable at 31 March 2020 is £133,346,901 (2019: £132,722,901).

18. Recycled capital grant fund (RCGF)

	2020	2019
	£	£
Opening balance at 1 April	1,753,375	1,720,529
Inputs to RCGF:		
Grants recycled	-	104,051
Interest accrued during the year	12,780	12,045
Recycling of grant:		
Properties developed	(148,000)	(83,250)
	<hr/>	<hr/>
Closing balance at 31 March 2020	1,618,155	1,753,375
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS – Year ended 31 March 2020 continued**19. Called up share capital**

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

	2020 £	2019 £
Allotted, issued and fully paid:		
At 1 April	7	7
Issued during the year	3	-
	<hr/>	<hr/>
At 31 March	10	7
	<hr/>	<hr/>

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 the Association.

20. Restricted Reserves

	Legacy Fund reserve £	Property reserve £	Other reserves £	Total £	Revaluation reserve £
At 1 April 2019	123,460	6,137,679	151,593	6,412,732	952,886
Transfer to revenue reserve	(403)	-	(44,432)	(44,835)	-
Transfer from revenue reserve	1,305	-	10,699	12,004	-
Revaluation of Investment Property	-	-	-	-	974,602
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2020	124,362	6,137,679	117,860	6,379,901	1,927,488
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Legacy Fund reserve

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

NOTES TO THE FINANCIAL STATEMENTS – Year ended 31 March 2020 continued**20. Restricted Reserves (continued)****Property reserve**

This represents the proportion of the cost of properties that was financed by charitable donations with on-going 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.

Investment property revaluation reserve

This represents an increase in the market valuation of the investment property as at the reporting date of the financial statements.

Revenue reserve

Revenue reserves as shown in the statement of changes in equity and reserves on page 42 is the accumulation of the surpluses and deficits of the Association since formation. The retained revenue reserves of £58,932,529 (2019: £54,822,026) are maintained to ensure the continued financial strength and viability of the Association on a going concern basis.

21. Capital commitments

	2020 £	2019 £
Capital expenditure that has been contracted for but has not been provided for in these financial statements	58,138	2,502,674
Capital expenditure that has been authorised by the Board but has not been contracted for	-	1,533,515
	<hr/> 58,138	<hr/> 4,036,189

The capital commitment listed above is for the retention in respect of The Croal.

NOTES TO THE FINANCIAL STATEMENTS – Year ended 31 March 2020 continued**22. Pension obligations**

The Association participates in SHPS, a multi-employer pension scheme which provides benefits to non-associated participating employers. The scheme is classed as a defined benefit scheme 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.

As at end of 30 June 2019, saha had closed the SHPS DB final salary scheme for the future and all existing active members were transferred on to the SHPS Defined Contribution scheme from the 1 of July 2019.

Under the defined benefit pension accounting approach, the SHPS net deficit as at 1 April 2019 is £5,048k and £2,022k as at 31 March 2020.

Present values of defined benefit obligation, fair value of assets and defined benefit asset / (liability)

	2020 £000s	2019 £000s
Fair value of plan assets	15,592	14,211
Present value of defined benefit obligation	(17,614)	(19,259)
Deficit in plan	(2,022)	(5,048)
Deferred tax	-	-
Net defined benefit liability to be recognised	(2,022)	(5,048)

Reconciliation of opening and closing balances of the defined benefit obligation:

	2020 £000s	2019 £000s
Defined benefit obligation at start of period	19,259	17,189
Current service cost	(25)	295
Expenses	13	12
Interest expense	437	441
Contributions by plan participants	25	104
Actuarial losses due to scheme experience	1,103	196
Actuarial (gains)/losses due to changes in demographic assumptions	(175)	53
Actuarial (gains)/losses due to changes in financial assumptions	(2,384)	1,244
Benefits paid and expenses	(639)	(275)
Defined benefit obligation	17,614	19,259

NOTES TO THE FINANCIAL STATEMENTS – Year ended 31 March 2020 continued**22. Pension obligations (continued)**

Reconciliation of opening and closing balances of the fair value of plan assets:

	2020	2019
	£000s	£000s
Fair value of plan assets at start of period	14,211	13,140
Interest income	326	340
Experience on plan assets (excluding amounts included in interest income) – gain	1,164	409
Contributions by the employer	505	493
Contributions by plan participants	25	104
Benefits paid and expenses	(639)	(275)
	<hr/>	<hr/>
Fair value of plan assets at end of period	15,592	14,211

The actual return on the plan assets (including any changes in share of assets) over the period ended 31 March 2020 was £1,490,000 (2019: £749,000).

Defined benefit costs recognised in statement of comprehensive income (SOCl):

	2020	2019
	£000s	£000s
Current service cost	(25)	295
Expenses	13	12
Net interest expense	111	101
	<hr/>	<hr/>
Defined Benefit cost recognised in the Statement of Comprehensive Income (SoCI)	99	408

NOTES TO THE FINANCIAL STATEMENTS – Year ended 31 March 2020 continued**22. Pension obligations (continued)**

Defined benefit costs recognised in other comprehensive income:

	2020	2019
	£000s	£000s
Experience on plan assets (excluding amounts included in net interest cost) – gain/ (loss)	1,164	409
Experience gains and losses arising on the plan liabilities – (loss)	(1,103)	(196)
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation – gain/(loss)	175	(53)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation – gain/(loss)	2,384	(1,244)
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) – gain/(loss)	2,620	(1,084)
Total amount recognised in other comprehensive income – gain/(loss)	2,620	(1,084)
Remeasurement of SHPS obligation at initial recognition on 1 April 2018	-	(1,925)

Assets

	2020	2019
	£000s	£000s
Global Equity	2,281	2,391
Absolute Return	813	1,230
Distressed Opportunities	300	258
Credit Relative Value	428	260
Alternative Risk Premia	1,090	820
Fund of Hedge Funds	9	64
Emerging Markets Debt	472	490
Risk Sharing	527	429
Insurance-Linked Securities	479	408
Property	343	320
Infrastructure	1,160	745
Private Debt	314	191
Opportunistic Liquid Credit	377	-
Corporate Bond Fund	889	663
Liquid Credit	6	-
Long Lease Property	270	209
Secured Income	592	509
Liability Driven Investment	5,175	5,197
Net Current Assets	67	27
Total assets	15,592	14,211

NOTES TO THE FINANCIAL STATEMENTS – Year ended 31 March 2020 continued**22. Pension obligations (continued)**

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

Key assumptions

	2020	2019
	% per annum	% per annum
Discount Rate	2.38%	2.30%
Inflation (RPI)	2.62%	3.30%
Inflation (CPI)	1.62%	2.30%
Salary Growth	2.62%	3.30%
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance

The mortality assumptions adopted at 31 March 2020 imply the following life expectancies:

	Life expectancy at age 65 (Years)
Male retiring in 2020	21.5
Female retiring in 2020	23.3
Male retiring in 2040	22.9
Female retiring in 2040	24.5

Employer pension contributions

	2020	2019
	£	£
Defined benefit employer contributions including deficit contributions	505,204	493,369
Growth Plan deficit contributions	28,573	27,741
Auto-enrolment & SHPS Defined contribution including deficit contribution	304,464	184,320
	838,241	705,430

The defined benefit pension costs for saha was £505,204 (2019: £493,369). 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.

NOTES TO THE FINANCIAL STATEMENTS – Year ended 31 March 2020 continued**22. Pension obligations (continued)****The Growth Plan**

The company participates in the scheme, a multi-employer scheme which provides benefits to some 950 non-associated participating employers. The scheme is a defined benefit scheme in the UK. It is not possible for the company to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it accounts for the scheme as a defined contribution scheme.

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

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

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

Deficit contributions

From 1 April 2019 to 31 January 2025:	£11,243,000 per annum - payable monthly and increasing by 3% each on 1st April)
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Unless a concession has been agreed with the Trustee the term to 31 January 2025 applies. Note that the scheme's previous valuation was carried out with an effective date of 30 September 2014. This valuation showed assets of £793.4m, liabilities of £969.9m and a deficit of £176.5m. To eliminate this funding shortfall, the Trustee has asked the participating employers to pay additional contributions to the scheme as follows:

Deficit contributions

From 1 April 2016 to 30 September 2025:	£12,945,440 per annum - (payable monthly and increasing by 3% each on 1st April)
From 1 April 2016 to 30 September 2028:	£54,560 per annum - (payable monthly and increasing by 3% each on 1st April)

The recovery plan contributions are allocated to each participating employer in line with their estimated share of the Series 1 and Series 2 scheme liabilities.

NOTES TO THE FINANCIAL STATEMENTS – Year ended 31 March 2020 continued

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

Present value of provision

	31 March 2020 (£000s)	31 March 2019 (£000s)	31 March 2018 (£000s)
Present value of provision	142	172	17

Reconciliation of opening and closing creditor

	Period Ending 31 March 2020 (£000s)	Period Ending 31 March 2019 (£000s)
Provision at start of period	172	17
Unwinding of the discount factor (interest expense)	2	0
Deficit contribution paid	(28)	(28)
Remeasurements - impact of any change in assumptions	(4)	2
Remeasurements - amendments to the contribution schedule	0	181
Provision at end of period	142	172

Income and expenditure impact

	Period Ending 31 March 2020 (£000s)	Period Ending 31 March 2019 (£000s)
Interest expense	2	-
Remeasurements – impact of any change in assumptions	(4)	2
Remeasurements – amendments to the contribution schedule	-	181

Assumptions

	31 March 2020 % per annum	31 March 2019 % per annum	31 March 2018 % per annum
Rate of discount	2.53	1.39	1.71

NOTES TO THE FINANCIAL STATEMENTS – Year ended 31 March 2020 continued**22. Pension obligations (continued)**

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

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

Year ending	31 March 2020 (£000s)	31 March 2019 (£000s)	31 March 2018 (£000s)
Year 1	29	29	2
Year 2	30	29	2
Year 3	31	30	2
Year 4	32	31	2
Year 5	28	32	2
Year 6	-	28	3
Year 7	-	-	3
Year 8	-	-	1
Year 9	-	-	-
Year 10	-	-	-

The company must recognise a liability measured as the present value of the contributions payable that arise from the deficit recovery agreement and the resulting expense in the income and expenditure account i.e. the unwinding of the discount rate as a finance cost in the period in which it arises.

It is these contributions that have been used to derive the company's balance sheet liability.

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 (2019: £nil).

Auto-enrolment

As a result of the introduction of pensions "auto-enrolment" by the Government, the cost of the new defined contribution scheme administered by SHPS was £304,464 (2019: £184,320) covering 349 employees (2019: 375 employees). This cost is inclusive of contributions in relation to the former SHPS Defined Benefit members who got transferred to the SHPS defined contribution scheme effective from 1 July 2019.

NOTES TO THE FINANCIAL STATEMENTS – Year ended 31 March 2020 continued**23. Operating leases**

The Association has lease arrangements in respect of land and buildings and equipment, the future minimum lease payments of these leases are set out below:

	2020	2019
	£	£
<u>Land and Buildings – Leases expiring</u>		
Not later than one year	234,204	316,082
Later than one year and not later than five years	315,633	518,067
Later than five years	61,603	129,394
	<hr/>	<hr/>
	611,440	963,543
	<hr/>	<hr/>
<u>Other operating leases – Leases expiring</u>		
Not later than one year	297,507	221,640
Later than one year and not later than five years	123,768	56,906
Later than five years	22,964	12,601
	<hr/>	<hr/>
	444,239	291,147
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS – Year ended 31 March 2020 continued**24. Accommodation in management and development**

The number of units of housing, lifehouses and foyer accommodation under development and in management at 31 March 2020 was:

	Number of Units in development		Number of Units in management	
	2020 No.	2019 No.	2020 No.	2019 No.
Housing accommodation for letting:				
General Needs:				
Owned and managed	-	-	929	992
Affordable:				
Owned and managed	-	76	359	344
Supported Housing and Housing for Older People:				
Owned and managed	-	-	690	726
Owned but not managed	-	-	1,763	1,728
Managed but not owned	-	-	10	35
Other – Foyer Accommodation:				
Owned and managed	-	-	112	112
Registered care bed spaces:				
Owned and managed	-	-	6	6
Owned but not managed	-	-	52	52
Student Accommodation:				
Owned and managed	-	-	159	159
Total owned and managed	-	76	4,080	4,154

Housing stock summary:

	Number of Units in development		Number of Units in management	
	2020 No.	2019 No.	2020 No.	2019 No.
Owned and managed	-	76	2,255	2,339
Owned but not managed	-	-	1,815	1,780
Managed but not owned	-	-	10	35
Total owned and managed	-	76	4,080	4,154

NOTES TO THE FINANCIAL STATEMENTS – Year ended 31 March 2020 continued**25. Contingent liabilities**

As at 31 March 2020 there were no material contingent liabilities (2019: £nil).

26. 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 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 wholly owned bank by The Salvation Army International Trustee Company (SAITCo).

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

Capital repayments	£114,652
Interest payments	£53,679

The total outstanding balance of the loan at 31 March 2020 was £1,934,555. The long term loan was granted to the Association on normal commercial terms, including saha providing appropriate security to satisfy the conditions of the loan.

During the year, the Association paid £344,798 (2019: £317,437) for the property and liability insurance to SAGIC Limited.

SAGIC Limited 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.

27. 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.

28. Post balance sheet events

There were no material post balance sheet events.

LEGAL AND ADMINISTRATIVE DETAILS

Salvation Army Housing Association is registered with the Regulator of Social Housing (RSH) LH2429 and under the Co-operative and Community Benefit Societies Act 2014 Registration No. 15210R. The Association is incorporated and registered in England.

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