



SALVATION ARMY HOUSING ASSOCIATION

REPORT & FINANCIAL STATEMENTS

**For the year ended
31 March 2021**

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

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Foreword by Nigel Hills, CEO

It is my pleasure to introduce saha's annual report including the value for money statement for the financial year 2020-21. Our performance demonstrates that our focus remains very much on the residents and customers who use our services. We have continued in supporting, enabling and serving our residents in-line with our values. Where it is possible, and where it is needed, we continue to positively transform lives and help people to fulfil their potential to flourish.

Our operating surplus of £5.0m demonstrates strong underlying financial viability and sound budgeting control in the face of a potentially adverse 2020/21 dominated by the impact of Covid-19. Turnover has increased in-line with forecasts from £34m in 2019/20 to £36.9m in 2020/21. Due to diligence, ability to adapt and care we have continued to deliver services throughout the year whilst occupancy has remained high at 95.2%.

Our Total Comprehensive Income is £0.2m. This has been affected by the decrease in value of investment properties by £1m and adverse movement in the valuation of the pension obligation by £2.6m.

The decreased market valuation of our investment properties is not reflective of the rental performance seen in the assets, indeed our investment properties are making a considerable contribution to the business and support our primary mission of Transforming Lives.

The increase in pension deficit is a frustration borne by the sector, however increased contributions towards servicing pension plan assets have been modelled and I am confident we can meet all future obligations without it materially affecting our ability to add value to our residents.

In 2021/22 our aim continues to be to provide residents with high quality properties that are fit for purpose and meet the needs of our residents. We will continue to ensure our services are accessible, delivered efficiently and are value adding. We are committed to efficient delivery of value adding front line services, especially as "lock down" restrictions are eased and a new norm for society is re-established.

The budget set for 2021-22 is ambitious but realistic. It incorporates our plan to find efficiency savings and improve both processes and systems. Both are being reviewed in Q1 of 2021-22 and detailed plans drawn up from the subsequent findings. Whilst change may be challenging it is essential that we continue to improve and evolve.

2020-21 has shown us the value in remaining agile as we have navigated major obstacles. From Covid-19 and the immediate business continuity challenges involving many colleagues being encouraged to work from home, to the management, closing and voluntary surrender of lease on three significant schemes.

There have been lessons learned in 2020-21, not least from the recent governance downgrade and there is a commitment from the Board and management to lead in embedding that learning into the business that sets an ambitious but attainable target of returning to a compliant governance rating within the next Financial Year.

I have been impressed by the way the leadership team and saha colleagues have transformed our business in the face of adversity during the pandemic and celebrate their success and innovation that has been demonstrated by a combination of delivering life changing customer experience, improving processes and mitigating local funding risks. Success in the coming year will also be seen by our evolution into a leaner organisation with an increasingly skilled workforce.

Gregory Lomax, Chair of saha

It gives me great pleasure to introduce the annual report for the year ending 31 March 2021; including statements that outline how we've navigated complex challenges in 2020 and delivered robust financial performance alongside maintaining high standards in adding social value. We began the year amidst the turbulent environment of the unknown effects of Brexit upon costs and human resources. However, this was soon dwarfed by the unprecedented impact of Covid-19 and subsequent lockdowns. In the context of this operating environment, I believe our performance has been good.

Our surplus before remeasurement adjustments stands at £2.8m and our total comprehensive income stands at £0.2m. Our surplus has increased from £2.4m in 2019-20.

Since my appointment to Chair of the Board in January 2021, I've signalled a focus on mitigating risk within our business plan which will be sought through collaboration with The Salvation Army. It will be in harmonised working as a group that we maximise opportunities to add value.

During the year we have successfully negotiated with grant funders and The Salvation Army to surrender leases on three schemes no longer in use. We have successfully negotiated on funding repayments that represent a good deal for saha and the wider Salvation Army Group. This negotiation took place as part of a wider review of leased schemes and the organisation's exposure to local funding agreements, which continues into 2021-22. I am confident that conclusion of the review and subsequent actions taken will leave us on solid footing with which to assure the Regulator of compliant governance. A return to a compliant Governance rating is a priority of myself and the Board in 2021-22.

saha is and will continue to be a leading provider of social housing to those with specific additional support needs such as substance misuse or escaping domestic violence. The customer focused results from 2020-21 demonstrate that 80% of residents who have used our accommodation as a "first step towards independence" have moved on in a planned way. Our work in the last year has transformed lives.

The work reflected in these Financial Statements is the culmination of many individual stories of positive influence upon people's lives.

It is fundamental that saha appreciates the good work it performs and keeps residents at the heart of all it does. The stock rationalisation that has taken place in 2020-21 is part of a holistic corporate strategy that assures properties and services are future proof and complements our asset management strategy.

Our turnover grew from £34.0m in 2019-20 to £36.9m in 2020-21 and we anticipate successful bids for additional support service contracts will likely continue turnover growth in 2021-22.

We start 2021-22 with a strong cash position of £12m that allows some flexibility within our long term financial plan. The future for saha contains challenges, but challenges we are prepared for and this bodes well for more lives to be transformed and a bright future for us adding social value as part of our mission.

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

Motivated by The Salvation Army, we provide those most in need with safe, affordable homes and support to enable them to thrive. We invest in people to help them lead fulfilled lives in a safe place.

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 80 local authorities across England and have five main areas of operation:

1. Agency Managed Supported Housing (1,559 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 (1,280 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 is specifically designed 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 (476 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 independent living.

5. Registered Care Homes (52 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 728 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 261 HMA units 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 2020-25 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 2020-21, strategic delivery focused on the following four *Strategic Priorities*:

- Transforming Lives
- Financial Viability and Good Governance
- Nurturing Outstanding Teams
- Delivering Innovative and Excellent Support

These priorities are reflected in the 2020-21 Annual Plan, highlighting measurable, time-bound delivery objectives, senior delivery ownership and target outcomes.

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.

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Performance Overview

We have a balanced scorecard of key performance indicators grouped into the four key areas of; Our People, Our Places, Our Practices and Our Pounds. A summary of the main indicators, and our reported performance as at year end 2020/21, is set out below. Overall, we are pleased to have limited the financial impact of Covid-19 upon saha.

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 level of performance, below the target level expected.

The direction of movement is also colour coded to indicate a favourable movement (green) or adverse movement (red) between 2019/20 and 2020/21.

Performance indicators

Our People				
Performance Indicator	Year End 2019-20	Year End 2020-21	Target	Movement – current year v last year
Average number of days sickness per person	7.30 days	11.34 days	7.60 days	▲
Employee turnover (total)	42.74%	24.09	26.88%	▼
Our Places				
Performance Indicator	Year End 2019-20	Year End 2020-21	Target	Movement – current year v last year
Repairs completed in target (Contractors)	93.02%	94.82%	96.00%	▲
Repairs completed right first time	87.38%	79.25%	90.00%	▼
Average energy efficiency rating	70.04	70.50	70.00	▲
Our Practices				
Performance Indicator	Year End 2019-20	Year End 2020-21	Target	Movement – current year v last year
Total Arrears (Gross) (All Housing Services)	5.46%	4.44%	5.00%	▼
Arrears (Gross) GN	5.01%	5.02%	5.00%	▲
Arrears (Gross) DM	6.15%	4.13%	5.00%	▼
Arrears (Gross) OPS	2.24%	3.19%	5.00%	▲
Total Arrears (Net of HB) (All Housing Services)	3.69%	2.55%	2.00%	▼
Former Tenant Arrears	3.07%	4.09%	1.00%	▲
Total Void % of Stock (All Housing Services)	4.91%	4.80%	2.00%	▼
Void % of Stock - GN	3.55%	2.98%	2.00%	▼
Void % of Stock - DM	4.97%	10.90%	2.00%	▲

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Our Practices				
Performance Indicator	Year End 2019-20	Year End 2020-21	Target	Movement – current year v last year
Void % of Stock - OPS	1.54%	1.02%	2.00%	▼
Total Void Rent Loss (All Housing Services)	3.06%	4.22%	2.00%	▲
Void Rent Loss - GN	2.26%	2.24%	2.00%	▼
Void Rent Loss - DM	4.06%	7.29%	2.00%	▲
Void Rent Loss - OPS	1.46%	1.90%	2.00%	▲
Total Void Turnaround (All Housing Services)	23.15 days	33.17 days	21 days	▲
Void Turnaround - GN	57.64 days	48.12 days	21 days	▼
Void Turnaround - DM	12.15 days	25.46 days	10 days	▲
Void Turnaround - OPS	59.90 days	45.25 days	21 days	▼
Our Pounds				
Performance Indicator	Year End 2019-20	Year End 2020-21	Target	Movement – current year v last year
Rent Written Off	0.98%	2.63%	1.00%	▲
Operating Margin	7.9%	13.2%	10.00%	▲
Return on assets (surplus / fixed asset)	1.27%	1.58%	0.13%	▲
Interest cover covenant	2.22	4.31	1.4	▲

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

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

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The Risk Management Framework is complemented by rigorous and regular stress-testing, based on multi-variate 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

2020-21 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
Failure to return to a compliant governance grading.	Strengthened Board and a renewed intra-group agreement between ourselves and The Salvation Army.
Failure to comply with lender covenants.	Development of exit strategies from joint saha/TSA supported housing projects.
Government removing funding for support services.	Stress testing exposure to funding at each scheme and conduct reviews of alternative funding possibilities.
Business interruption leading to business continuity plan(BCP) being implemented.	Conduct post pandemic review of agile ways of working and align BCP in line with these changes.
Failure to manage operational relationships with management agencies may impact negatively on efficiency of business.	Full quality assurance review at scheme and area level to assure compliance with management agreement and best practice.

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

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an online risk management portal, has significantly enhanced the efficiency, transparency and dynamism of risk management across the business.

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, 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.

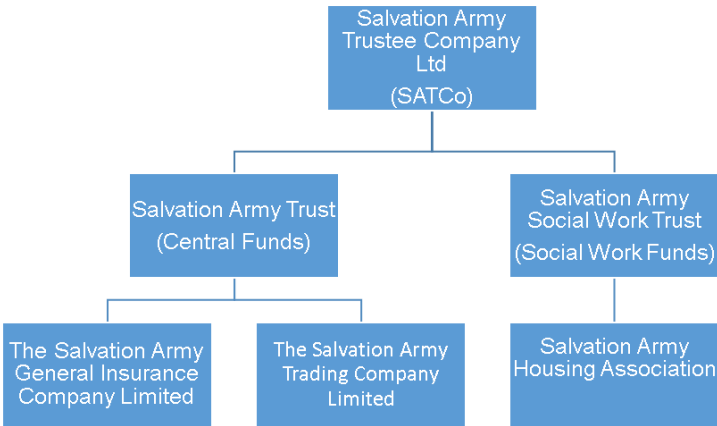
The internal auditors report annually to the Audit and Risk Committee on the system of internal control, with an opinion as to the adequacy and effectiveness of key internal control systems. The internal auditor attends the Audit and Risk Committee to present reports and to report on management progress 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 2021 states that in the opinion of the Internal auditor, saha has in place an adequate framework for identifying, evaluating and managing risks.

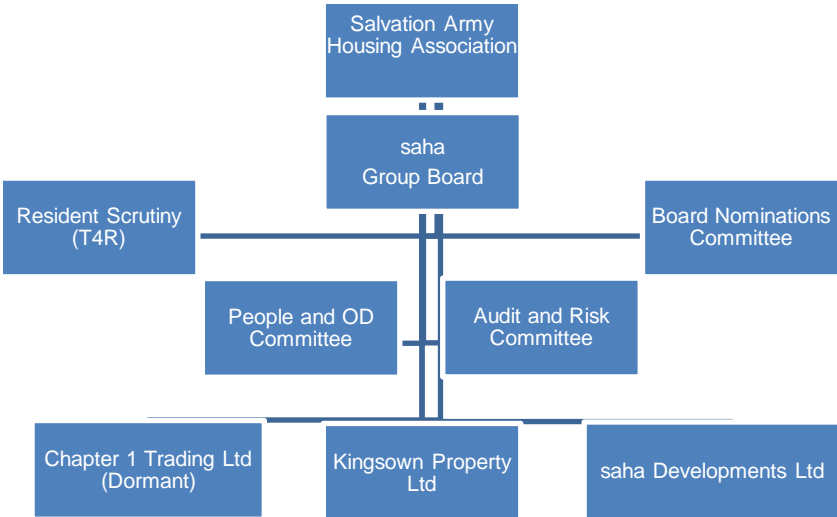
Governance Report

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. The Board acknowledge the non-compliant regulator governance grading (G3 from May 2021) and is committed to returning to a compliant grading as soon as possible.

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.



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Group Board and Executive**Group Board**

Current Board Members		
Gregory Lomax	Chair, Independent	Appointed December 2020
Paul Phillips	Independent	Appointed December 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
Nigel Hills	Chief Executive	Appointed May 2019
Maureen Hopcroft	Independent, People and OD Committee Chair	Appointed June 2019
Andrew Lawrence	Independent, Audit and Risk Committee Chair	Appointed May 2019
Lieut-Colonel Drew McCombe	The Salvation Army Nominee	Appointed January 2020
Elliot Thomas	The Salvation Army Nominee	Appointed July 2021
Board Members who have retired during the financial year		
Commissioner John Matear	Chair, The Salvation Army Nominee	Appointed July 2012 , Resigned September 2020
Maggie Cameron-Ratchford	Deputy Chair, Independent, People and Organisational Development Committee Chair	Appointed July 2011 Retired July 2020
Bob Beaumont	Independent	Appointed June 2019, Resigned December 2020
Ruby Judt	The Salvation Army Nominee	Appointed January 2019, Resigned May 2021

(A) Audit and Risk Committee member

(P) People and Organisational Development Committee member

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The Executive

Current Executive Management Team Members		
Nigel Hills	Chief Executive	Appointed CEO May 2019
Suzanne Forster	Strategic Consultant	Since February 2019
Sean Hughes	Executive Director of Operations	Appointed 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 31 March 2021, the Board comprised 10 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,

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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***

During the year saha has been engaging with the Regulator of Social Housing on matters of concern which they have raised, culminating in a governance downgrade in May 2021. saha is committed to attaining and demonstrating the highest standards of governance and has developed a Governance Improvement Plan which focuses on a number of areas for improvement, notably refocusing the Board on its strategic oversight of key risks across the organisation and ensuring a clear and effective structure governing the relationship with its parent, The Salvation Army.

Progress is intended to be achieved within the year, in preparation for a reassessment by the Regulator in due course. The governance improvement plan includes:

- Development of a governance structure defining the parent's and saha's relationship which is effective and satisfies regulatory compliance.
- Embed improvements resulting from an externally commissioned governance effectiveness assessment.
- Create and maintain a comprehensive schedule of leases to include negotiation narrative and update Board regularly.

Board appraisal and development

The Board undertakes an individual and collective self-appraisal every year. The 2020 appraisal process 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 its effectiveness.

The appraisal assessed the Board to be performing satisfactorily with no major concerns expressed by members, however, it was acknowledged that its performance needs to be improved and skills called upon to meet the needs of the organisation as it seeks to address a range of governance issues in 2021-22.

The recruitment of new members in December 2020, including the appointment of a new Chairperson, allowed saha to strengthen the Board and address skills gaps which had been identified in the appraisal and skills matrix review.

Management System

The Board provides strategic direction and oversight of saha to achieve its mission. The Board structure includes three Board members nominated by its parent The Salvation Army. The Executive Management Team has delegated responsibility for day-to-day management within saha, and is supported by a senior management team and the departments which they lead, in implementation of strategies and delivery of mission.

REPORT OF THE BOARD

The Board presents its report together with audited financial statements for the year ended 31 March 2021.

Statement of the Board's responsibilities

The board is responsible for preparing the report and financial statements in accordance with applicable law and regulations.

Co-operative and Community Benefit Society legislation requires the board to prepare financial statements for each financial year. Under that law the board have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws), including FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland. Under the Co-operative and Community Benefit Society legislation the board must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and surplus or deficit of the Association and group for that period. In preparing these financial statements, the board are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice (SORP) Accounting by Registered Housing Providers 2018 have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the association will continue in business.

The board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and Association and 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 (2019). It 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.

The board are responsible for the maintenance and integrity of the corporate and financial information included on the association's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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.

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We have a Board approved financial business plan which is based on prudent assumptions. 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.

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:

	2021	2020
	£000's	£000's
Turnover	36,867	34,003
Operating costs	(28,453)	(31,135)
Loss on disposal of tangible fixed assets	(3,373)	-
Net interest payable	(1,299)	(1,451)
Revaluation loss/gain on investment property	(950)	974
Surplus for the year	2,792	2,391
Re-measurement of SHPS obligation	-	-
Actuarial losses in respect of pension scheme	(2,583)	2,620
Total comprehensive income for the year	209	5,011

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

	2021	2020
	£000's	£000's
Total fixed assets	176,911	188,050
Net current assets	4,410	729
Loans and other long term creditors	(113,913)	(121,580)
Reserves	67,408	67,199

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

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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.

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 £28.5m (2020: £30m). 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:

	2021	2020
	£000's	£000's
< 1 year	1,565	1,552
1 - 2 years	1,528	1,561
3 - 5 years	10,939	11,108
> 5 years	14,441	15,808
	28,473	30,029

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

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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		2021	2020
Income cover	level	> £0	> £0
Operating surplus excluding property depreciation, donation, amortised grant and capitalised repairs	actual	£5.61m	£3.22m
Cashflow	level	> £1m	> £1m
	actual	£12m	£7.79m
Gearing	level	< 50%	< 50%
Properties at Cost / Gross debt	actual	14%	14%

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

Cashflows

We experienced a net increase in cash and bank balances in the year of £4.2m (2020: £1.5m decrease), and a net decrease in loans of £1.6m (2020: £0.6m 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 £12.0m (2020: £7.8m). Net current assets were £4.4m (2020: £0.7m).

Going concern

The Board has considered the implications of the Covid-19 pandemic on cashflows along with risk of cessation of funding at key schemes and believes we have adequate resources to fulfil operational activity for the foreseeable future. The Board have derived further comfort from detailed scenario testing upon the long term financial plan. Recent positive conversations indicating that key funding contracts are to be extended have given the Board further comfort that the base case long term financial plan is both viable and reasonable. 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, saha identified scope to reinforce its compliance with some aspects of the Standard. These relate to ongoing discussions with its parent, The Salvation Army (TSA), on the ongoing funding structures of its leased schemes. The Board also acknowledges the regulatory decision to award saha "G3", a non compliant governance grading, as at May 2021. The Association has communicated its compliance assessment to the Regulator, and is implementing a joint approach to the funding review, in partnership with The Salvation Army. An update is to be reported to Board in 2021/22.

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, across the business.

Rent policy

We set rents in accordance with The Regulatory Framework for Social Housing – Rent Standard Guidance 2020.

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 and potential energy efficiency and carbon neutrality improvements.

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 2021-22 will be laid before the Annual General Meeting on 23 September 2021.

BY ORDER OF THE BOARD 7 SEPTEMBER 2021



Chairman
Gregory Lomax

VALUE FOR MONEY STATEMENT

We Transform Lives

Our strategic priorities are to enable Salvation Army Housing Association (saha) to strengthen both its social business activities and its capacity to serve customers in the long term. Our customers are at the heart of everything we do. This Statement outlines our Value for Money (VfM) aims, ensuring that we work as effectively and efficiently as possible in serving our residents and customers whilst reflecting performance and direction set in the financial year of 2020-21.

In the last year, the pandemic has dominated our landscape affecting where and how we focus resources. There has been a sector-wide risk that costs increase as services are maintained and secondary risk that the demand of niche services such as homelessness provisions increase during the global pandemic. However, it is a challenge we are pleased to say the group has risen to. Despite the challenges during 2020-21 savings have been made in the way we procure goods and services, by reviewing our staffing structures as well as re-assessing how we can save money in working from home post pandemic.

The value we ultimately seek is to effectively utilise our resources to help our residents sustain their tenancies during the profoundly unusual and challenging year.

Our Board drives the delivery of VfM supported by the whole businesses and residents. VfM is the effective delivery of value, and our mission helps set what we see as “value”.

Mission

To Transform Lives by providing solutions to homelessness and enabling people to develop and achieve their full potential.

Values

The values of the organisation have been agreed with residents, staff and stakeholders and centre around the acronym SPIRE: Servant Leadership, Passion, Inclusion, Respect and Effectiveness.

Priorities

Our strategic priorities are to enable saha to strengthen both its social business activities and its capacity to serve customers in the long term.

Value for Money (*continued*)**Highlights**

saha is an organisation within The Salvation Army group and owns or manages almost 4,000 units whilst employing over 330 people. In 2020/21 we benefited from:

- Successfully negotiating alternatives to repaying grant allowing the funds to be spent on delivering social impact.
- Through rapid mobilisation of technology as a result of Covid-19 and its lockdown restrictions, we reduced business travel and use of office consumables, resulting in £89k saved in 2020/21 alone, but also shifting the paradigm in what can be achieved through working remotely in future; enabling resources and funds to be deployed elsewhere.
- saha has partnered with AQA in 2020, an independent educational charity to help residents formally recognise their learning achievements by way of accredited qualifications. Social distancing has impeded its roll out, but innovative work arounds have led to 46 residents being AQA accredited, and a further 165 have gained a qualification via college or other means. We celebrate this!
- 80% of residents who have moved on from saha supported services have done so in a planned way, leading to greater independence. This is an example of our mission being delivered on the front line.
- saha is in a debt repayment cycle that influences both the ROCE and Gearing ratios positively and is a trend expected to continue further in the coming years.
- Occupancy remains high at c.95%. Having our rooms and properties occupied is fundamental to our ability to add social value efficiently and we are proud to have maintained such occupancy throughout a year dominated by the effects of a global pandemic.
- saha is in a period of change as it responds to macro challenges and it is expected that new strategies will yield improved results, demonstrated in our KPIs in 2021-22.

Value for Money (continued)

The Future



Value for Money (*continued*)

Valuing & Supporting our employees

We know people make saha and only by having committed and motivated employees can we continue to provide great services to our residents and service users. Our aim is all about creating a vibrant organisation where people want to come to work, do a really great job for our residents and other service users, and know that their contribution is important and valued so they choose to stay with us. We intend to build on our achievements so far and adapt to meet today's challenges for saha and the housing sector.

A key metric to assess if we are creating a good place to work is employee turnover and we are encouraged that it reduced to 24% in 2020 – 21 (48% in 2019 – 20). We appreciate that we have further to go and we will therefore be releasing a re-vamped People Strategy in 2021 – 22 to support the positive direction.

Embedding saha's values

saha's values are fundamental to who we are as an organisation. They are servant leadership, passion, inclusion, respect and effectiveness.

These values are reflected throughout the organisation and alignment with them is a key part of all recruitment.

Servant leadership and inclusion facilitate continued development in leadership and management capability that aligns with our mission.

A new corporate induction plan including sections on understanding and living our values is due to be launched in December 2021.

Talent Management

We have made use of the apprenticeship levy to support one employee in achieving a professional qualification in Personnel and Development.

We anticipate encouraging and supporting more to progress qualifications in 2021 – 22 as our focus on Covid (and its impact on how we work) subsides.

We realise that making use of the apprenticeship levy makes for efficient use of our resources whilst also adding value and meeting the need for growth amongst our teams. Two employees are looking to start professional accountancy exams in 2021 – 22.

Social Value

We are proud that we have seen one employee pass a niche, but targeted exam in Adult Mental Health First Aid Training for Trainers.

Adding skill sets to specific areas that marry up with the services we offer is a notably direct way of adding value to both employee and service delivery.

In training the trainer skill sets, it empowers us as an organisation to re-sew skill sets cost efficiently. It is a seed that grows many branches.

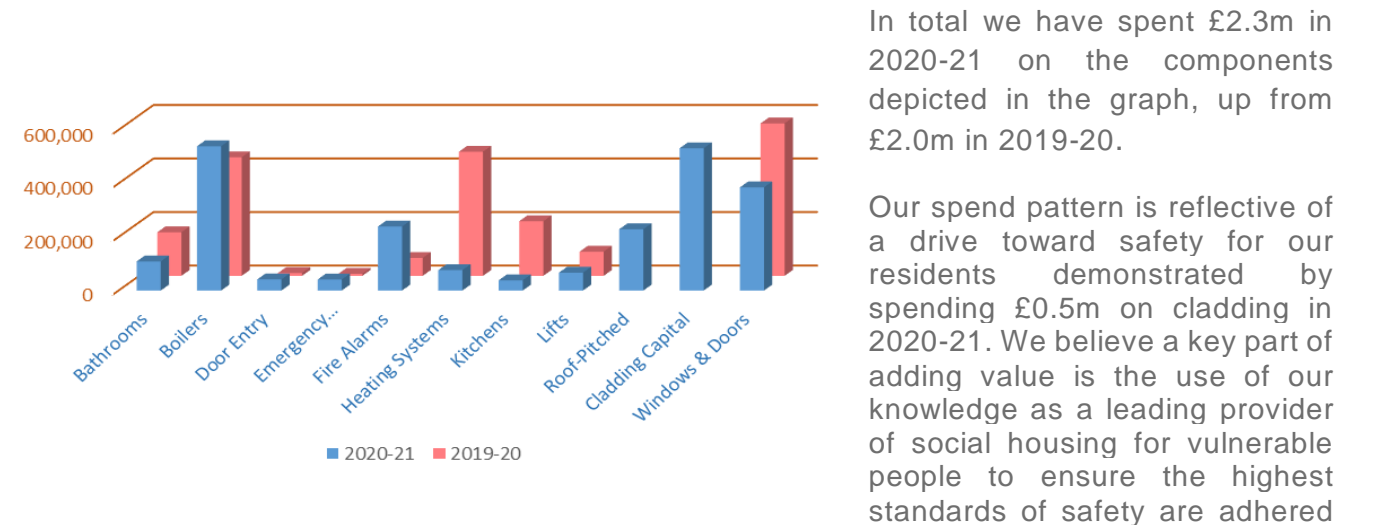
Well-Being and Recognition

Our new approach to performance management (introduced in 2021) enables saha to meet its corporate goals by motivating employees, providing recognition, two-way feedback channels and supporting development. The new behaviours which support our values also align our employees more closely to the mission of the organisation making sure that we are able to Transform Lives.

Value for Money (continued)

In addition to the work set out above, we plan to launch a bespoke e-learning system to support our employees need for growth. This is scheduled for May 2022 and will be directly targeting skills that offer most value to our residents and internal customers.

Where we are spending



to. We are pleased to be up to date with all cladding and fire safety works. 2020-21 also saw the approval of our new 5-year asset management strategy. We believe this strategy represents an opportunity to intelligently forward plan our spend, meaning we plan to spend more on preventative works as opposed to reactive maintenance and repair. VfM is embedded within our asset management strategy directly by setting a target of broad spend pattern of 70% on preventative measures and 30% on reactive measures to maintain our buildings. Whilst some reactive maintenance will always be necessary, preventive measures are often cheaper over time, add value to the customer and are inherently easier to plan for.

Capital Spend on Asset Components	2020-21	2021-22 (forecast)	2022-23 (forecast)	2023-24 (forecast)	2024-25 (forecast)
£m	2.3	3.8	3.0	2.5	3.7

Efficient Delivery of Mission

The ability to transform lives is only made possible with the combined efforts of our dedicated and skilled teams throughout the business. We provide intensive housing management and offer complex needs support across a wide spectrum. We monitor our performance and effective delivery of social value by assessing our social return on investment. This in itself is a

Value for Money (continued)

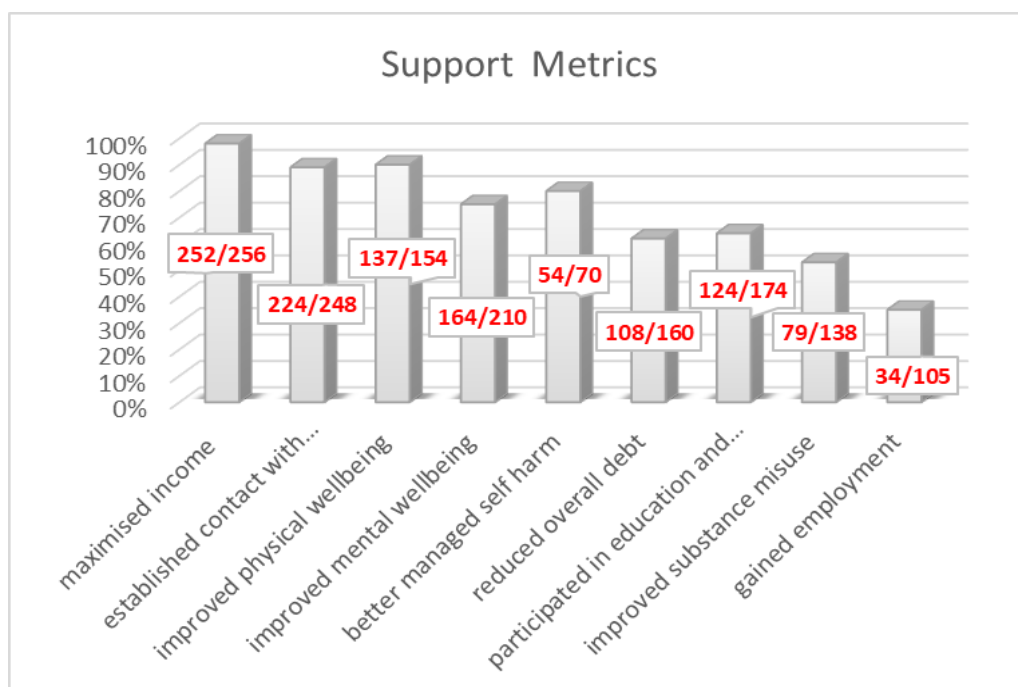
combination of numerous metrics including reducing debts our residents face, helping to gain employment and supporting recovery from substance dependencies.

80% of residents moved on from saha supported services in a planned way leading to greater independence.	Support interventions have aided people who have moved on to reduce overall debt in 108 of 160 cases. 68%!
Over 75% of 406 residents asked report improved emotional, physical and mental health having used our services.	A child was re-united with his mother 2 days before Christmas after she successfully overcame alcohol addiction with support of our complex needs workers.

Some highlights of the amazing way in which we deliver value are above. However, we note that of 406 residents questioned we had supported only 34 out of 105 to successfully gain employment. It is a key element of VfM to assess where value can be enhanced, and this is an area we will strive to improve in 2021/22 by working closely with residents on mental wellbeing along with local business and enhancing qualifications. We recognise that to transform a life, many elements must be cohesive and harmonious.

Support metrics directly link with all our social purpose metric themes and measure the impact that support interventions have on residents at the point of moving on from supported services. The table below captures the outcomes achieved for residents who have left saha services between April 2020 and March 2021 and shows the number of residents that have achieved against the total number or residents requiring support.

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**REGULATOR OF SOCIAL HOUSING – VALUE FOR MONEY METRICS**

We also measure our VfM performance using a combination of the Regulator of Social Housing's metrics (numbered 1-7) and our own KPIs that best depict the value we are adding towards our mission.

We compare our VfM metric performance against a specific peer group that best facilitates meaningful comparison. The peer group has been collated based on size, nature of services offered and operating model. The peer group is comprised of:

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

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

Value for Money (continued)

	2021-22 (projected)	2020-21	2019-20	2018-19	Peer Group Av. (2019-20)
1) Reinvestment in property %	2.6%	1.6%	2.3%	2.5%	5.1%

Investing in our properties as a proportion of their historic cost is anticipated to increase in 2021-22. The planned spend is based on detailed break down of where our properties and residents will benefit most. The spend profile is itself part of the Board approved Asset Management Strategy 2020-25.

2) New supply delivered %	0.0%	0.0%	0.4%	1.0%	0%
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saha has consciously chosen to pause development in order to build financial headroom into our long-term financial plan. This also gave us time to commence re-design of processes and governance during the year of 2020-21. Options for growth are to be re-assessed in 2021-22.

3) Gearing %	12.4%	11.2%	14.2%	13.4%	17.5%
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saha has remarkably low gearing for the sector demonstrating that we don't rely on debt finance. This offers an opportunity to seek new finance if the right growth opportunities present themselves.

4) EBITDA-MRI %	208.3%	702.7%	243.3%	223.4%	196.4%
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This is a key indicator for liquidity and investment capacity. Our interest payments are forecast to reduce over the next ten years of the Board approved LTFP meaning that our EBITDA-MRI% is set to improve if all other variables remain static. This means we have financial capacity to add value by improving the energy efficiency of our homes and investing in their long-term condition as well as exploring growth opportunities. 2020-21 benefits from a £3.3m gain on disposal (£0.0m gain on disposal in 2019-20).

5) Headline social housing cost per unit	£7,750	£6,624	£6,651	£6,911	£12,350
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Headline social housing costs appear high within the sector, however, appear notably strong against our peer group. This metric highlights the influence serving the most vulnerable in society has on a company's ability to manage costs. A decrease in managed units in the coming year (2021 – 22) along with costs associated with implemented change means we forecast a c£1,100 increase in the cost per unit.

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

	2021-22 (projected)	2020-21	2019-20	2018-19	Peer Group Av. (2019-20)
6) a) Operating Margin - overall	13.8%	13.2%	7.9%	8.1%	9.5%
b) Operating Margin – SH	14.8%	10.4%	4.4%	11.3%	13.4%

Operating surplus(overall) has increased from £2.7m in 2019-20 to £4.8m in 2020-21 (a 78% increase). This has had a positive impact upon operating margin.

7) Return on Capital Employed	2.9%	2.7%	1.4%	1.6%	5.0%
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saha is in a planned debt repayment cycle of its loan structure. As capital decreases, we benefit from improved ROCE ratios. We therefore anticipate this trend to continue into 2021 – 22.

Rent Arrears	5.0%	4.4%	5.5%	5.3%	3.8% *Advance UK
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Rent arrears are within management target of 5% which is good, but this does not mean we will rest there. The collection process is to be reviewed in 2021 – 22. Every pound collected facilitates delivery of our mission in other areas. There is also a further focus on maintaining support for residents, maximising their financial entitlements and making accommodation as affordable as possible.

Customer Satisfaction	90%	70%	89%	88.9%	87% *Advance UK
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Customer satisfaction is measured as part of a “STAR” survey. The reduction in 2020-21 is partially due to a change in the method in conducting the, increasingly accurate, STAR survey. New strategies being rolled out in 2020-21 assure that a return to 90% satisfaction is deliverable.

Void rent loss	2.0%	4.2%	3.1%	3.4%	5.6% *Advance UK
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Managing voids down to a reduced level of 2% is a key priority for us. Empty rooms or properties mean that they are not being used toward delivering our mission and reduce financial resources that can be used to deliver social value within other areas.

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

	2021-22 (projected)	2020-21	2019-20	2018-19	Peer Group Av. (2019-20)
Occupancy	95.2%	98.70%	95.2%	95.1%	84.4%

We are proud to have maintained a high level of occupancy throughout a year dominated by the effects of a global pandemic. Our services have been maintained through a flexible and diligent approach to safety and a commitment to serving within the community.

Understanding our Headline Social Housing Cost per unit further

Our average headline social housing cost per unit remaining relatively static belies various changes behind the calculation. The changes are:

Units in management have decreased from 4,080 in 2019-20 to 3,819 in 2020-21.	Major repairs per unit have (Note 2B) increased from £636 in 2019-20 to £763 in 2020-21.	Management costs have decreased from £7.2m in 2019-20 to £6.7m in 2020-21. However the management cost per unit has only fallen to £1,806 (was 1,838).	Minor repairs and maintenance have also broadly stayed the same when taking into account the fall in units. Now £1,002 per unit. (was £1,082 per unit).	Charges for support services have fallen in total from £2.9m to £2.3m (note 2A).
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**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 2021, which comprise the 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 2021 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.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the society's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the company to cease to continue as a going concern.

In our evaluation of the board's conclusions, we considered the inherent risks associated with the society's business model including effects arising from macro-economic uncertainties such as Brexit and Covid-19, we assessed and challenged the reasonableness of estimates

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

made by the board and the related disclosures and analysed how those risks might affect the society's financial resources or ability to continue operations over the going concern period.

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

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

The responsibilities of the board with respect to going concern are described in the 'Responsibilities of board for the financial statements' section of this report.

Other information

The board is responsible for the other information. The other information comprises the information included in the Annual Report, 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.

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.

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

Responsibilities of the board for the financial statements

As explained more fully in the Statement of the Board's Responsibilities **set out on page 16**, 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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the association, and the sector in which it operates. We determined that the following laws and regulations were most significant; financial reporting legislation (Housing SORP 2018, United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102, the Accounting Direction for Private Registered Providers of Social Housing 2019), the Co-operative and Community Benefit Societies Act 2014, the

Housing and Regeneration Act 2008, and the NHF Code of Governance 2015. The engagement team remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

- We understood how the association is complying with these legal and regulatory frameworks by making inquiries of management, internal audit, and those charged with governance. We enquired of management and those charged with governance whether there were any instances of non-compliance with laws and regulations, or whether they had any knowledge of actual or suspected fraud. We corroborated the results of our enquiries through our review of board minutes and papers provided to the Audit and Risk Committee, and through our legal and professional expenses review.
- To assess the potential risks of material misstatement, including how a fraud might occur, we obtained an understanding of:
 - The Association’s operations, including the nature of its sources of income, expected financial statement disclosures and risks that may result in risk of material misstatement; and
 - The Association’s control environment including the adequacy of procedures for authorisation of transactions
- Audit procedures performed by the engagement team included:
 - Evaluating the processes and controls established to address the risks related to irregularities and fraud;
 - Testing manual journal entries, in particular journal entries relating to management estimates and entries determined to be large or relating to unusual transactions;
 - Challenging assumptions and judgements made by management in its significant accounting estimates
 - Identifying and testing related party transactions; and
 - Completion of audit procedures to conclude on the compliance of disclosures in the financial statements with applicable financial reporting requirements.
- We communicated relevant laws and regulations and potential fraud risks to all engagement team members, and remained alert to any indications of fraud, or non-compliance with laws and regulations throughout the audit.
- We assessed the appropriateness of the collective competence and capabilities of the engagement team, including consideration of the engagement team’s knowledge and understanding of the sector in which the Association operates in and their practical experience through training and participation with audit engagements of a similar nature. All team members are qualified accountants or working towards that qualification and are considered to have sufficient knowledge and experience of companies of a similar size and complexity, appropriate to their role within the team.
- From the procedures performed we did not identify any material matters relating to non-compliance with laws and regulation or matters in relation to fraud.

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: 7/9/2021

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 2021

	Notes	2021 £	2020 £
Turnover	2A/2B	36,867,574	34,002,651
Operating expenditure	2A/2B	(28,452,557)	(31,135,376)
Loss on disposal of tangible fixed assets	4	(3,373,176)	-
Operating surplus		5,041,841	2,867,275
Interest receivable	5	6,634	29,441
Interest and financing costs	6	(1,306,419)	(1,480,122)
Loss/gain on revaluation of investment properties	8	(950,000)	974,602
Surplus for the financial year	7	2,792,056	2,391,196
Remeasurement of SHPS obligation	23	-	-
Actuarial loss/gain in respect of pension scheme	23	(2,582,799)	2,620,000
Total comprehensive income for financial year		209,257	5,011,196

All amounts relate to continuing operations.

The accompanying notes on pages 42 - 81 form part of these financial statements.

These financial statements were approved and authorised by the Board on 7 September 2021

Gregory Lomax

Chairman
Gregory Lomax

Andrew Lawrence

Board Member
Andrew Lawrence

David Chrystal

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 2021

	Share Capital	Revenue Reserve	Restricted Reserves	Revaluation Reserves	Total
	£	£	£	£	£
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
Surplus for the year	-	209,257	-	-	209,257
Transfers from revaluation reserves to revenue reserves	-	950,000	-	(950,000)	-
Transfers from revenue reserves to restricted reserves	-	(10,961)	10,961	-	-
Shares issued/ (cancelled) (net)	-	-	-	-	-
Balance as at 31 March 2021	10	60,039,747	6,390,862	977,488	67,408,107

The accompanying notes on pages 42 - 81 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

	Notes	2021 £	2020 £
Fixed assets			
Housing properties	10	147,500,596	157,012,693
Property, plant and equipment	11	360,525	1,036,765
Investment Properties	8	29,050,000	30,000,000
Investments	12	51	51
		176,911,172	188,049,509
Current assets			
Debtors	14	2,434,778	2,161,939
Cash and cash equivalents	15	11,988,992	7,798,279
		14,423,770	9,960,218
Creditors: amounts falling due in less than one year	16	(10,013,442)	(9,230,690)
Net current assets		4,410,328	729,528
Total assets less current liabilities		181,321,500	188,779,037
Creditors: amounts falling due after more than one year	16	(109,724,393)	(119,558,187)
Provision for liabilities:			
- Defined benefit obligation	23	(4,189,000)	(2,022,000)
Net assets		67,408,107	67,198,850
Capital and reserves			
Called up share capital	20	10	10
Restricted reserves	21	6,390,862	6,379,901
Revenue reserve		60,039,747	58,891,451
Revaluation Reserve	21	977,488	1,927,488
		67,408,107	67,198,850

The accompanying notes on pages 42 – 81 form part of these financial statements.

The financial statements were approved by the Board on 7 September 2021 and signed on its behalf by:

Gregory Lomax

Chairman

Andrew Lawrence

Board Member

David Chrystal

Company Secretary

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

Gregory Lomax

Andrew Lawrence

David Chrystal

STATEMENT OF CASH FLOWS for the year ended 31 March

	Notes	2021	2020
		£	£
Operating surplus	2A	5,041,841	2,867,275
Amortisation of grants	18	(2,799,224)	(2,766,184)
Depreciation charges	7	4,351,643	4,393,246
Housing Property and PPE Impairment	7	1,337,290	272,078
Accelerated depreciation	2B/ 7/10	369,564	512,647
Abortive Development Costs		-	148,874
Loss on disposal of tangible fixed assets	2A/4	3,373,176	-
SHG written off to Income	2A	(4,461,026)	-
(Increase)/Decrease in debtors		(272,840)	539,733
(Decrease) in creditors		(783,752)	(1,544,941)
(Deduct) pension adjustment		(480,944)	(547,067)
Net cash from operating activities		5,675,728	3,875,661
Investing activities			
Interest received	5	6,634	29,441
Grants received	18	-	624,000
Additions to PPE	8/10/11	(2,260,597)	(4,087,368)
Proceeds on disposal of PPE	4	3,610,309	-
Net cash used in investing activities		1,356,346	(3,433,927)
Financing activities			
Interest paid		(1,285,646)	(1,392,621)
New loans		-	2,500,000
Loans repaid		(1,555,715)	(3,098,532)
Share issue	20	-	3
Net cash used in financing activities		(2,841,361)	(1,991,150)
Increase/(Decrease) in cash and cash equivalents		4,190,713	(1,549,416)
Cash and cash equivalents at beginning of the year	15	7,798,279	9,347,695
Net cash and cash equivalents at 31 March	15	11,988,992	7,798,279

The accompanying notes on pages 42 - 81 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

Analysis of changes in net debt March 2021.

	At 1 April 2020	Cash flow	Other non – cash movements	At 31 March 2021
	£	£	£	£
Cash and cash equivalents	7,798,279	4,190,713	-	11,988,992
Housing Loans due within one year	(1,551,821)	(1,564,991)	-	(3,116,812)
Housing Loans due after more than one year	<u>(28,476,822)</u>	<u>3,120,705</u>	<u>-</u>	<u>(25,356,117)</u>
Total	<u>(22,230,364)</u>	<u>5,746,427</u>	<u>-</u>	<u>(16,483,937)</u>

The accompanying notes on pages 42 - 81 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS – Year ended 31 March 2021 continued**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 2021 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 along with risk of cessation of funding at key schemes, the Board has a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future. The assessment includes detailed scenario testing upon the long term financial plan and reflection upon positive funding contract extension conversations at key schemes. The assessment concluded that the basecase long term financial plan is both viable and reasonable. 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 a decrease in 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 2021 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 identifies indicators of impairment as detailed below for 2020/21.

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 £1,337,290.

*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 2021 was £54,903,136.

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, is subject to an annual valuation.

Savills have been appointed to give an independent assessment of the fair value of our investment properties. As part of this assessment an assumption was made that the affects of Covid-19 upon the private rented sector would be temporary in nature and not affect rental opportunities for the majority of the assets life. The valuation as at 31 March 2021 was £29,050,000.

NOTES TO THE FINANCIAL STATEMENTS – Year ended 31 March 2021 continued**1. Accounting policies – estimation uncertainty (continued)***Bad debt provision*

The gross trade debtors balance of £1,131,796 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 2021 was £4,189,000.

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 2021 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 2021 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:

NOTES TO THE FINANCIAL STATEMENTS – Year ended 31 March 2021 continued**1. Accounting policies (continued)**

Freehold Land	Not depreciated
Building – Main Fabric (structure)	50 years
<u>Major Components</u>	
Roof	50 years
Bathrooms	30 years
Lifts	25 years
Mechanical and Electrical Systems	25 years
Windows and External Doors	25 years
Kitchens	20 years

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS – Year ended 31 March 2021 continued

replacement cost of the asset. For other schemes, value in use is defined as the net present value of the future cash flows before interest generated from the scheme.

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

Other property, plant and equipment

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

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.

NOTES TO THE FINANCIAL STATEMENTS – Year ended 31 March 2021 continued

Government grants released on sale of the property may be repayable, but are normally available to be recycled and are credited to a Recycled Capital Grant Fund and are included in the Statement of Financial Position in creditors due after more than one year. If there is no requirement to recycle or repay the grant on disposal of the asset, any unamortised grant remaining within creditors is released and recognised as income in the Statement of Comprehensive Income.

Other grants

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

Capitalisation of interest

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

Capitalisation of development overheads

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

Leases

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

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

Rentals payable under operating leases are charged to 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.

NOTES TO THE FINANCIAL STATEMENTS – Year ended 31 March 2021 continuedProvisions for liabilities

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

Taxation

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

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

Schemes managed by agents

The Association 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, 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 £11.1m (2020: £11.5m) and total operating costs amounted to £9.7m (2020: £10m).

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).

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 2021 continued**2A. Particulars of turnover, operating expenditure and operating surplus / (deficit) for the year**

	2021				2020			
	Turnover £	Other Income £	Operating Expenditure £	Operating Surplus / (Deficit) £	Turnover £	Other Income £	Operating Expenditure £	Operating Surplus / (Deficit) £
Social housing lettings (Note 2B):								
General Needs accommodation	7,434,328	-	(6,183,217)	1,251,111	7,203,423	-	(7,018,402)	185,021
Supported Housing and Housing for Older People	18,321,077	-	(16,806,584)	1,514,493	18,864,181	-	(17,895,899)	968,282
Other – Foyers	1,545,706	-	(1,479,364)	66,342	1,645,387	-	(1,578,413)	66,974
	<u>27,301,111</u>	<u>-</u>	<u>(24,469,165)</u>	<u>2,831,946</u>	<u>27,712,991</u>	<u>-</u>	<u>(26,492,714)</u>	<u>1,220,277</u>
Other social housing activities:								
Charges for support services	1,980,206	-	(2,267,230)	(287,024)	2,680,392	-	(2,866,664)	(186,272)
Gift Aid	214,976	-	-	214,976	193,989	-	-	193,989
Contributions from Agencies	253,515	-	-	253,515	709,053	-	-	709,053
Other Managing income: Agents	-	-	-	-	22,581	-	-	22,581
Association	858,668	-	(853,868)	4,800	821,103	-	(517,134)	303,969
SHG written off to income	4,461,026	-	-	4,461,026	-	-	-	-
Subsidiary Loan written off	-	-	(18,501)	(18,501)	-	-	-	-
Loss on disposal of tangible fixed assets	-	(3,373,176)	-	(3,373,176)	-	-	-	-
	<u>35,069,502</u>	<u>(3,373,176)</u>	<u>(27,608,764)</u>	<u>4,087,562</u>	<u>32,140,109</u>	<u>-</u>	<u>(29,876,512)</u>	<u>2,263,597</u>

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

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

	2021				2020			
	Turnover £	Other Income £	Operating Expenditure £	Operating Surplus / (Deficit) £	Turnover £	Other Income £	Operating Expenditure £	Operating Surplus / (Deficit) £
Activities other than social housing activities:								
Registered Care	248,765	-	(287,177)	(38,412)	364,242	-	(540,767)	(176,525)
Student								
Accommodation	1,539,923	-	(368,690)	1,171,233	1,486,268	-	(410,177)	1,076,091
Social Enterprise	9,384	-	(187,926)	(178,542)	12,032	-	(307,920)	(295,888)
	<u>36,867,574</u>	<u>(3,373,176)</u>	<u>(28,452,557)</u>	<u>5,041,841</u>	<u>34,002,651</u>	<u>-</u>	<u>(31,135,376)</u>	<u>2,867,275</u>

During the year £4,461,026 unamortised SHG grant in respect of Alver Bank and Booth House has been approved for write off following the lease surrendered back to The Salvation Army.

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 2021 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	2021 Total	2020 Total
	£	£	£	£	£	£
Income						
Rent receivable net of identifiable service charges and voids	6,072,418	6,553,293	3,261,535	518,579	16,405,825	16,141,418
Service charge income	625,855	2,446,894	3,690,053	961,833	7,724,635	8,483,939
Support income	-	-	238,214	-	238,214	213,155
Amortised government grants	736,055	1,572,270	423,779	52,983	2,785,087	2,752,047
Other revenue grants	-	-	135,039	12,311	147,350	122,432
Turnover from social housing lettings	7,434,328	10,572,457	7,748,620	1,545,706	27,301,111	27,712,991
Expenditure						
Management	1,847,470	3,677,259	867,402	217,245	6,609,376	7,206,889
Service charge costs	777,972	2,519,199	3,569,806	1,047,152	7,914,129	8,566,759
Routine maintenance	1,691,786	1,095,608	763,928	115,977	3,667,299	4,067,906
Planned maintenance	-	-	-	-	-	176,036
Major repairs expenditure	153,650	282,308	60,546	988	497,492	963,964
Bad debts	-	-	-	-	-	645,869
Depreciation of housing properties	1,609,979	1,655,985	623,958	64,224	3,954,146	3,936,442
Property Impairment	-	1,337,289	-	-	1,337,289	231,000
Additional depreciation on components replaced	101,781	234,675	28,150	4,958	369,564	512,647
Other costs	579	-	90,471	28,820	119,870	185,202
Operating costs on social housing lettings	6,183,217	10,802,323	6,004,261	1,479,364	24,469,165	26,492,714
Operating surplus on social housing lettings	1,251,111	(229,866)	1,744,359	66,342	2,831,946	1,220,277
Void losses (being rental income lost as a result of property not being let, although it is available for letting)	(140,414)	(52,026)	(417,208)	(38,947)	(648,595)	(659,720)

NOTES TO THE FINANCIAL STATEMENTS – Year ended 31 March 2021 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:

	2021	2020
	£	£
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 56)	54,698	57,245
Executive Management Team – Excluding employer's NI contributions	339,943	641,351
	<u>394,641</u>	<u>698,596</u>
Total employer's pension contributions in respect of directors	<u>13,784</u>	<u>18,735</u>
Emoluments of highest paid director, the Chief Executive (excluding pension contributions, including benefits in kind)	<u>149,844</u>	<u>149,642</u>
Employer's pension contributions in respect of the Chief Executive	<u>8,187</u>	<u>7,454</u>

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 2021 continued**3. Key management personnel and employee information (continued)**

Salaried Board and Committee members

	2021	2020
	£	£
Mr J Matear (Resigned 2020)	5,413	12,465
Mrs M Cameron-Ratchford (Resigned 2020)	2,000	6,000
Mrs J Laurent-Smart	4,500	4,500
Mr P Taylor	4,500	4,500
Mr S Iqbal	1,560	1,562
Mr J Upsher	1,500	1,500
Mr A Heron	4,000	4,000
Mrs E Akojie (Resigned 2021)	1,250	1,500
Mrs R Judt	4,000	4,000
Mr A Lawrence	6,000	6,000
Ms J Robinson	1,500	1,288
Mr I Watson	1,500	1,288
Ms M Hopcroft	5,333	3,133
Mr B Beaumont (Resigned 2020)	5,642	3,133
Mr A McCombe	4,000	1,000
Mr Paul Philips	1,000	-
Mr Gregory Lomax	1,000	-
	54,698	57,245

Employee information

	Number Average	Number Full-time equivalent	Number Average	Number Full-time equivalent
	2021	2021	2020	2020
	No.	No.	No.	No.
Average number of employees:				
Staff engaged in managing or maintaining housing stock	59	53	66	58
Staff providing central administration services	43	42	42	41
Staff providing support & services	228	122	250	137
	330	217	358	236

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 2021 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.

	2021	2020
	£	£
Staffing costs:		
Wages and salaries	7,259,870	7,762,027
Termination & Redundancy Costs	50,724	194,658
Social security costs	637,250	701,683
Other pension costs (see note 23)	809,523	838,240
	8,757,367	9,496,608
Temporary agency staff costs	1,462,151	1,807,062

During the year 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 £305,240.

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:

	2021	2020
	No.	No.
£60,001 to £70,000	-	2
£70,001 to £80,000	4	2
£80,001 to £90,000	1	1
£90,001 to £100,000	-	-
£100,001 to £110,000	1	-
£110,001 to £120,000	-	3
£130,001 to £140,000	-	-
£140,001 to £150,000	1	1
£150,001 to £160,000	-	1
£180,001 to £190,000	-	1
	7	11

NOTES TO THE FINANCIAL STATEMENTS – Year ended 31 March 2021 continued**4. Loss on disposal of tangible fixed assets**

Housing Property	2021	2020
	£	£
Proceeds from disposal of housing property	3,610,309	-
Costs of sale	(6,527,433)	-
Loss on disposal of housing property	(2,917,124)	-
Property, Plant & Equipment	2021	2020
	£	£
Proceeds from disposal of PPE	-	-
Costs of sale	(456,052)	-
Loss on disposal of other fixed assets	(456,052)	-
Total loss on disposal of fixed assets	(3,373,176)	-

Loss on disposal of £2,917,124 includes the handing back of two closed schemes to the Salvation Army. However the social housing grant that has been written off as part of the schemes being handed back to the Salvation Army is within Turnover (Statement of Comprehensive Income). The net result of handing back the two closed schemes to the Salvation Army upon operating profit is zero.

5. Interest receivable

	2021	2020
	£	£
Bank deposit interest	6,634	29,441

6. Interest and financing costs

	2021	2020
	£	£
Interest payable on borrowings	(1,263,419)	(1,369,122)
Net interest cost on DB pension obligations	(43,000)	(111,000)
	(1,306,419)	(1,480,122)

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 2021 continued**7. Operating Surplus for the year**

The operating surplus is arrived at after charging/(crediting):

	2021	2020
	£	£
This is stated after charging/(crediting):		
Depreciation – housing properties	3,954,479	3,936,846
Property Impairment	1,337,290	231,000
– additional property depreciation on components replaced / planned demolition	369,564	512,647
Depreciation – property, plant and equipment	397,164	456,400
Equipment Impairment	-	41,078
Auditor's remuneration excluding subsidiaries:		
– Audit services by Grant Thornton (excluding VAT)	39,000	35,060
– Other Services by Crowe UK LLP (excluding VAT)	3,955	2,800
Management fee and administration charge to KOP	(119,652)	(123,703)
Management fee and administration charge to SAHA Dev	-	(2,000)
Operating lease rentals		
- land and buildings	291,726	471,994
- other	201,965	340,248
Hire charges on rental of equipment (KOP)	905,089	896,058

8. Investment Property

	2021	2020
	£	£
At 1 April 2020	30,000,000	29,000,000
Additions during the year	-	25,398
Property revaluation adjustment- decrease in value	(950,000)	974,602
Investment property valuation at year end	29,050,000	30,000,000

Xenia is currently used for student accommodation. The revaluation undertaken by Savills, professional external valuers at 31 March 2021 has resulted in a decrease in the property valuation due to adverse market conditions, and this decrease has been recognised through the revaluation reserve for investment properties. This valuation has been carried out on the basis of no on-going Covid-19 restrictions.

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 2021 continued**10. Housing properties**

	Completed housing properties	Housing properties under construction	2021 Total
	£	£	£
Cost			
At 1 April 2020	211,329,454	298,266	211,627,720
Additions during the year	2,302,123	2,965	2,305,088
Replacements of components	(973,865)	-	(973,865)
Surrender of closed scheme leases	(9,874,851)	-	(9,874,851)
Other Disposals during the year	(680,360)	-	(680,360)
Transferred during the year	-	-	-
At 31 March 2021	202,102,501	301,231	202,403,732
Depreciation			
At 1 April 2020	54,615,027	-	54,615,027
Charge for the year	3,954,479	-	3,954,479
Additional depreciation charged on components replaced	369,564	-	369,564
Property impairment	1,337,290	-	1,337,290
Released on surrender of closed scheme leases	(3,869,493)	-	(3,869,493)
Other disposals during the year	(529,866)	-	(529,866)
Released on components replaced	(973,865)	-	(973,865)
At 31 March 2021	54,903,136	-	54,903,136
Net book value at 31 March 2021	147,199,365	301,231	147,500,596
Net book value at 31 March 2020	156,714,427	298,266	157,012,693
Housing properties at net book value comprise:		2021	2020
		£	£
Freeholds		82,620,612	83,926,330
Long leaseholds		61,450,146	63,266,729
Short leaseholds		3,429,838	9,819,634
		147,500,596	157,012,693

Additions to properties included £nil (2020: £38,806) at March 2021 for administrative, direct and other indirect costs.

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 2021 continued**Works to existing properties:**

	2021	2020
	£	£
Works to existing properties	2,794,687	2,499,860
Less: Amounts capitalised in housing properties components	(2,296,894)	(1,527,962)
Amounts capitalised for investment property	-	-
	<hr/>	<hr/>
Amounts charged to the Statement of Comprehensive Income	497,793	971,898
	<hr/>	<hr/>
Social Housing Activity - Note 2B	497,492	963,964
Activities other than Social Housing – Care Services/Student Accommodation	301	7,934
	<hr/>	<hr/>
Amounts charged to the Statement of Comprehensive Income	497,793	971,898
	<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 2021 continued**11. Tangible Fixed Assets – Property, plant and equipment**

	Office Equipment £	Office Furniture £	Scheme Furniture £	Vehicle £	2020 Total £
<u>Cost</u>					
At 1 April 2020	3,230,338	173,147	1,374,511	5,444	4,783,440
Additions during the year	90,687	1,264	85,025	-	176,976
Disposals during the year	(1,677,326)	(163,784)	(163,712)	-	(2,004,822)
At 31 March 2021	1,643,699	10,627	1,295,824	5,444	2,955,594
<u>Depreciation</u>					
At 1 April 2020	2,693,225	92,427	955,579	5,444	3,746,675
Charge for the year	197,615	21,276	178,273	-	397,164
Asset Impairment	-	-	-	-	-
Eliminated on disposals during the year	(1,280,342)	(105,832)	(162,596)	-	(1,548,770)
At 31 March 2021	1,610,498	7,871	971,256	5,444	2,595,069
<u>Net book value</u>					
At 31 March 2021	33,201	2,756	324,568	-	360,525
At 31 March 2020	537,113	80,720	418,932	-	1,036,765

NOTES TO THE FINANCIAL STATEMENTS – Year ended 31 March 2021 continued**12. Investments**

	2021	2020
	£	£
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 Salvation Army Housing Association, is a company registered in England and Wales – Registered No. 02304488. The company is not a Registered Provider.

Authorised share capital: 500,000 ordinary shares of £1 each
 Issued share capital: 200,000 ordinary shares of £1 each

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

	2021	2020
	£	£
<u>Kingsown Property Limited</u>		
Profit for the year before tax	264,189	294,312
Net assets	1,722,606	1,685,522
Revenue reserves	1,522,606	1,485,522

Operating lease payments made to the subsidiary for the year amounted to £905,089 (2020: £896,058). At 31 March 2021 the amount owed by Kingsown to the Association was £18,778 (2020: £20,372); the amount due to Kingsown from the Association was £3,267 (2020: £1,543). The Association also received a gift aid donation of £214,976 (2020: £155,336) from Kingsown.

NOTES TO THE FINANCIAL STATEMENTS – Year ended 31 March 2021 continued**13. Investments (continued)**

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

Authorised share capital: 100 ordinary shares of £1 each
 Issued share capital: 1 ordinary share of £1 each

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

	2021	2020
	£	£
<u>saha Developments Limited</u>		
Profit for the year before tax	7,191	(10,686)
Net assets	4,959	(2,232)
Revenue reserves	4,958	(2,233)

saha made payments to saha Developments for property works £14,026 (2020: £316,714), saha developments raised invoices to saha at cost plus an agreed mark up of 5%. *At 31 March 2021 the amount owed by saha Developments to the Association was £1,168 (2020: £nil)*; the amount due to saha Developments from the Association was £1,538 (2020: £23,861). The Association did not receive any gift aid donations in the year from saha Developments (2020: £38,653).

NOTES TO THE FINANCIAL STATEMENTS – Year ended 31 March 2021 continued**14. Debtors**

Amounts falling due in less than one year:

	2021	2020
	£	£
Rent and service charges receivable	1,131,796	1,480,352
Provision for bad debts	(852,271)	(1,287,791)
Net rental and service charge debtors	279,525	192,561
Prepayments and accrued income	495,885	668,448
Other debtors	670,156	523,410
Loans due from subsidiary undertakings	231,498	249,999
Amounts due from subsidiary undertakings	19,945	20,372
Amounts due from parent undertaking	737,769	507,149
	2,434,778	2,161,939

15. Cash and cash equivalents

	2021	2020
	£	£
Cash at bank and in hand	11,825,728	6,621,150
Short term deposits	163,264	1,177,129
	11,988,992	7,798,279

16. Creditors

Amounts falling due within one year:

	2021	2020
	£	£
Trade creditors	2,625,688	1,410,654
Prepayment for rent and service charges	923,889	1,044,593
Deferred income and accruals	2,395,418	2,254,894
Other creditors	4,574	90,579
Housing loans (see note 17)	1,564,991	1,551,821
Amounts due to subsidiary undertakings	4,805	25,405
Amounts due to parent undertaking	8,381	60,726
Deferred capital grants (see note 18)	2,485,696	2,792,018
	10,013,442	9,230,690

NOTES TO THE FINANCIAL STATEMENTS – Year ended 31 March 2021 continued**16. Creditors (continued)**

Amounts falling due after more than one year:

	2021	2020
	£	£
<u>Housing loans</u>		
Loans repayable between 1 and 2 years by instalments	1,528,305	1,561,115
Loans repayable between 3 and 5 years by instalments	10,939,113	11,108,066
Repayable after five years by instalments and a bullet repayment	14,440,520	15,807,641
Total housing loans (see note 17)	26,907,938	28,476,822
<u>Deferred capital grants</u>		
Social housing grants	80,581,671	88,013,781
Other public grants	1,482,496	1,307,496
Total deferred capital grants (see note 18)	82,064,167	89,321,277
Recycled capital grant fund (see note 19)	632,500	1,618,155
Multi-employer pension scheme (see note 23)	119,788	141,933
	109,724,393	119,558,187

NOTES TO THE FINANCIAL STATEMENTS – Year ended 31 March 2021 continued**17. 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 2021 and 2044, and interest charged at varying rates between 0.89% and 11.50% as follows:

	2021 £	2020 £
<u>Housing loans</u>		
Loans at 0.89%	83,405	-
Loans at 1.50%	5,500,000	-
Loans at 1.55%	-	147,933
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%	173,100	-
Loans at 2.29%	-	196,139
Loans at 2.60%	3,813,811	4,024,713
Loans at 2.75%	1,643,457	1,738,416
Loans at 4.10%	4,048,508	4,272,388
Loans at 4.13%	1,539,655	1,689,655
Loans at 5.20%	3,000,000	3,000,000
Loans at 5.55%	-	1,650,000
Loans at 6.31%	8,240,904	7,255,493
Loans at 9.20%	407,310	520,186
Loans at 9.38%	1,846	2,883
Loans at 9.50%	13,827	20,126
Loans at 10.50%	6,802	6,870
Loans at 11.50%	304	3,841
	<hr/>	<hr/>
Total Housing Loans	28,472,929	30,028,643
	<hr/>	<hr/>
	2021 £	2020 £
<u>Housing loans</u>		
Housing loans due after more than one year	26,907,938	28,476,822
Housing loans due within one year	1,564,991	1,551,821
	<hr/>	<hr/>
Total housing loans	28,472,929	30,028,643
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS – Year ended 31 March 2021 continued**18. Deferred capital grants****Analysis of deferred capital grants**

	2021	2020
	£	£
Opening balance at 1 April	92,113,295	94,157,469
Additions in the year	-	624,000
Reclassification of Assets	-	-
Released to income in the year	(2,799,224)	(2,797,992)
Moved to recycled capital grant fund (see note 19)	-	-
Moved from recycled capital grant fund (see note 19)	-	148,000
Released on grant write off	(4,461,026)	-
Released on disposal of property	(303,182)	(18,182)
	<hr/>	<hr/>
Closing balance at 31 March	84,549,863	92,113,295
	<hr/>	<hr/>
	2021	2020
	£	£
Classified as:		
Amounts to be released within one year (note 16)	2,485,696	2,792,018
Amounts to be released in more than one year (note 16) - restated	82,064,167	89,321,277
	<hr/>	<hr/>
Closing balance at 31 March	84,549,863	92,113,295
	<hr/>	<hr/>

The total Social Housing Grant or Financial Assistance received and receivable, both capital and revenue, for the year was £nil (2020: £624,000). The cumulative amount of Social Housing Grant or Financial Assistance receivable at 31 March 2021 is £133,346,901 (2020: £133,346,901).

19. Recycled capital grant fund (RCGF)

	2021	2020
	£	£
Opening balance at 1 April	1,618,155	1,753,375
Inputs to RCGF:		
Interest accrued during the year	1,517	12,780
Recycling of grant:		
Properties developed	-	(148,000)
Grant Repayment	(987,172)	-
	<hr/>	<hr/>
Closing balance at 31 March	632,500	1,618,155
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS – Year ended 31 March 2021 continued**20. Called up share capital**

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

	2021 £	2020 £
Allotted, issued and fully paid:		
At 1 April	10	7
Issued during the year	3	3
Cancellations during the year	(3)	-
	<hr/>	<hr/>
At 31 March	10	10
	<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 Salvation Army Housing Association.

21. Restricted Reserves

	Legacy Fund reserve £	Property reserve £	Other reserves £	Total £	Revaluation reserve £
At 1 April 2020	124,362	6,137,679	117,860	6,379,901	1,927,488
Transfer to revenue reserve	(272)	-	(785)	(1,057)	(950,000)
Transfer from revenue reserve	80	-	11,938	12,018	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2021	124,170	6,137,679	129,013	6,390,862	977,488
	<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 2021 continued**21. 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 £60,039,747 (2019: £58,891,451) are maintained to ensure the continued financial strength and viability of the Association on a going concern basis.

22. Capital commitments

	2021 £	2020 £
Capital expenditure that has been contracted for but has not been provided for in these financial statements	58,138	58,138
Capital expenditure that has been authorised by the Board but has not been contracted for	-	-
	<hr/> 58,138	<hr/> 58,138
	<hr/>	<hr/>

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

NOTES TO THE FINANCIAL STATEMENTS – Year ended 31 March 2021 continued**23. 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.

Under the defined benefit pension accounting approach, the SHPS net deficit as at 1 April 2020 is £2,022k and £4,189k as at 31 March 2021.

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

	2021	2020
	£000s	£000s
Fair value of plan assets	17,257	15,592
Present value of defined benefit obligation	(21,446)	(17,614)
Deficit in plan	(4,189)	(2,022)
Deferred tax	-	-
Net defined benefit liability to be recognised	(4,189)	(2,022)

Reconciliation of opening and closing balances of the defined benefit obligation

	2021	2020
	£000s	£000s
Defined benefit obligation at start of period	17,614	19,259
Current service cost	-	(25)
Expenses	13	13
Interest expense	414	437
Contributions by plan participants	-	25
Actuarial losses due to scheme experience	(386)	1,103
Actuarial (gains)/losses due to changes in demographic assumptions	77	(175)
Actuarial (gains)/losses due to changes in financial assumptions	4,139	(2,384)
Benefits paid and expenses	(425)	(639)
Defined benefit obligation	21,446	17,614

NOTES TO THE FINANCIAL STATEMENTS – Year ended 31 March 2021 continued**23. Pension obligations (continued)**

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

	2021	2020
	£000s	£000s
Fair value of plan assets at start of period	15,592	14,211
Interest income	371	326
Experience on plan assets (excluding amounts included in interest income) – gain	1,247	1,164
Contributions by the employer	472	505
Contributions by plan participants	-	25
Benefits paid and expenses	(425)	(639)
	<hr/>	<hr/>
Fair value of plan assets at end of period	17,257	15,592

The actual return on the plan assets (including any changes in share of assets) over the period ended 31 March 2021 was £1,618,000 (2020: £1,490,000).

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

	2021	2020
	£000s	£000s
Current service cost	-	(25)
Expenses	13	13
Net interest expense	43	111
	<hr/>	<hr/>
Defined Benefit cost recognised in the Statement of Comprehensive Income (SOCl)	56	99

NOTES TO THE FINANCIAL STATEMENTS – Year ended 31 March 2021 continued**23. Pension obligations (continued)**

Defined benefit costs recognised in other comprehensive income

	2021	2020
	£000s	£000s
Experience on plan assets (excluding amounts included in net interest cost) – gain/ (loss)	1,247	1,164
Experience gains and losses arising on the plan liabilities – (loss)	386	(1,103)
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation – gain/(loss)	(77)	175
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation – gain/(loss)	(4,139)	2,384
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) – gain/(loss)	(2,583)	2,620
Total amount recognised in other comprehensive income – gain/(loss)	(2,583)	2,620

Assets

	2021	2020
	£000s	£000s
Global Equity	2,750	2,281
Absolute Return	952	813
Distressed Opportunities	498	300
Credit Relative Value	543	428
Alternative Risk Premia	650	1,090
Fund of Hedge Funds	2	9
Emerging Markets Debt	697	472
Risk Sharing	628	527
Insurance-Linked Securities	414	479
Property	358	343
Infrastructure	1,151	1,160
Private Debt	412	314
Opportunistic Liquid Credit	439	377
High Yield	517	-
Opportunistic Credit	473	-
Corporate Bond Fund	1,020	889
Liquid Credit	206	6
Long Lease Property	338	270
Secured Income	718	592
Liability Driven Investment	4,386	5,175
Net Current Assets	105	67
Total assets	17,257	15,592

NOTES TO THE FINANCIAL STATEMENTS – Year ended 31 March 2021 continued**23. 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

	2021	2020
	% per annum	% per annum
Discount Rate	2.17%	2.38%
Inflation (RPI)	3.28%	2.62%
Inflation (CPI)	2.86%	1.62%
Salary Growth	3.86%	2.62%
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance

The mortality assumptions adopted at 31 March 2021 imply the following life expectancies:

	Life expectancy at age 65 (Years)
Male retiring in 2021	21.6
Female retiring in 2021	23.5
Male retiring in 2041	22.9
Female retiring in 2041	25.1

Employer pension contributions

	2021	2020
	£	£
Defined benefit employer contributions including deficit contributions	472,175	505,204
Growth Plan deficit contributions	29,430	28,573
Auto-enrolment & SHPS Defined contribution including deficit contribution	307,918	304,464
	809,523	838,241

The defined benefit pension costs for Salvation Army Housing Association was £472,175 (2020: £505,204). 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 2021 continued**23. 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 2021 (£000s)	31 March 2020 (£000s)	31 March 2019 (£000s)
Present value of provision	120	142	172

Reconciliation of opening and closing creditor

	Period Ending 31 March 2021 (£000s)	Period Ending 31 March 2020 (£000s)
Provision at start of period	142	172
Unwinding of the discount factor (interest expense)	3	2
Deficit contribution paid	(29)	(28)
Remeasurements - impact of any change in assumptions	4	(4)
Remeasurements - amendments to the contribution schedule	-	-
Provision at end of period	120	142

Income and expenditure impact

	Period Ending 31 March 2021 (£000s)	Period Ending 31 March 2020 (£000s)
Interest expense	3	2
Remeasurements – impact of any change in assumptions	(4)	(4)
Remeasurements – amendments to the contribution schedule	-	-

Assumptions

	31 March 2021 % per annum	31 March 2020 % per annum	31 March 2019 % per annum
Rate of discount	0.66	2.53	1.39

NOTES TO THE FINANCIAL STATEMENTS – Year ended 31 March 2021 continued**23. 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 2021 (£000s)	31 March 2020 (£000s)	31 March 2019 (£000s)
Year 1	30	29	29
Year 2	31	30	29
Year 3	32	31	30
Year 4	28	32	31
Year 5	-	28	32
Year 6	-	-	28
Year 7	-	-	-
Year 8	-	-	-
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 (2020: £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 £288,644 (2020: £304,464) covering 302 employees (2020: 349 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 2021 continued**24. 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:

	2021	2020
	£	£
<u>Land and Buildings – Leases expiring</u>		
Not later than one year	234,814	234,204
Later than one year and not later than five years	136,920	315,633
Later than five years	49,712	61,603
	<hr/>	<hr/>
	421,446	611,440
	<hr/>	<hr/>
<u>Other operating leases – Leases expiring</u>		
Not later than one year	195,370	297,507
Later than one year and not later than five years	603,728	123,768
Later than five years	145,194	22,964
	<hr/>	<hr/>
	944,292	444,239
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NOTES TO THE FINANCIAL STATEMENTS – Year ended 31 March 2021 continued**25. Accommodation in management and development**

The number of units of housing, lifehouses and foyer accommodation under development and in management at 31 March 2021 was:

	Number of Units in development		Number of Units in management	
	2021 <u>No.</u>	2020 <u>No.</u>	2021 <u>No.</u>	2020 <u>No.</u>
Housing accommodation for letting:				
General Needs:				
Owned and managed	-	-	921	929
Affordable:				
Owned and managed	-	-	359	359
Supported Housing and Housing for Older People:				
Owned and managed	-	-	647	690
Owned but not managed	-	-	1,559	1,763
Managed but not owned	-	-	10	10
Other – Foyer Accommodation:				
Owned and managed	-	-	112	112
Registered care bed spaces:				
Owned and managed	-	-	-	6
Owned but not managed	-	-	52	52
Student Accommodation:				
Owned and managed	-	-	159	159
Total owned and managed	-	-	3,819	4,080

Housing stock summary:

	Number of Units in development		Number of Units in management	
	2021 <u>No.</u>	2020 <u>No.</u>	2021 <u>No.</u>	2020 <u>No.</u>
Owned and managed	-	-	2,198	2,255
Owned but not managed	-	-	1,611	1,815
Managed but not owned	-	-	10	10
Total owned and managed	-	-	3,819	4,080

NOTES TO THE FINANCIAL STATEMENTS – Year ended 31 March 2021 continued**27. Contingent liabilities**

As at 31 March 2021 there were no material contingent liabilities (2020: £nil).

28. 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	£117,997
Interest payments	£50,334

The total outstanding balance of the loan at 31 March 2021 was £1,816,557 (2020: £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 £351,345 (2020: £344,798) 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.

29. 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.

30. Post balance sheet events

The Board has approved in June 2021 for SAHA Developments Limited to be made dormant following the settlement of the £250k loan due to saha by way of balance repayment £232k and waive off £18k.

LEGAL AND ADMINISTRATIVE DETAILS

Salvation Army Housing Association is registered with the Regulator of Social Housing (RSH) LH2429 and with the Financial Conduct Authority (FCA) under the Co-operative and Community Benefit Societies Act 2014, Registration No. 15210R.

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