

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



# **SALVATION ARMY HOUSING ASSOCIATION**

## **REPORT & FINANCIAL STATEMENTS**

**For the year ended  
31 March 2022**

## 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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## 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

### **Foreword by Lynne Shea, Interim Chief Executive**

2021/22 was a year of many changes in saha, the most significant of which was the retirement of Nigel Hills, Chief Executive. Nigel has been with the organisation for almost forty years and was passionate about saha's mission of transforming lives.

I joined in January 2022 as Executive Director of Corporate Services before stepping up as Interim Chief Executive in March 2022. I can see the positive steps that have been made in strengthening the relationship with our parent The Salvation Army (TSA) and the positive progress in delivering the Governance Action Plan that was put in place following the Governance downgrading in May 2021.

In addition during the year several new colleagues joined the senior management team, the Housing Team was successfully restructured and cost savings were made across all the teams to drive efficiencies throughout the organisation.

Last year also saw many external challenges, Covid-19, rising inflation, fuel poverty and the effects of the Russian Ukrainian war. These have impacted both residents and colleagues and the challenges continue into 2022/23 as the 'Great Resignation' hits the employment market.

Financial performance in 2021/22 was strong with an operating surplus of almost £5m with £4.9m invested in works to improve existing homes. Cash balances remained strong at £8.2m. However, rent loss from empty properties did not hit target and arrears performance deteriorated towards the end of the year so there is room for improvement as we go into 2022/23.

Looking further ahead there is a robust financial plan in place, made stronger by the recently signed lease surrender agreement with TSA which will help mitigate the risks associated with long term leases in a current short term commissioning environment. The finance plan includes increased expenditure to improve our homes on fire and building safety as well as starting the movement to carbon neutrality.

A new responsive repairs contract was launched in February 2022 which will improve the quality of service to residents whilst delivering value for money to saha.

There is an ambitious corporate delivery plan in place for 2022/23 with stretch targets to achieve. I am confident that with the current strong management team in place, we can improve performance, return to a compliant governance rating, and continue to transform lives ensuring residents remain at the heart of everything we do.

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**WELCOME FROM THE INTERIM CHAIR, PAUL PHILLIPS**

I am pleased to be able to introduce saha's first financial statements since I became Chair on 1 April 2022.

The financial results for the year represent a strong performance during a somewhat volatile financial period. The financial review can be found in the Report of the Board commencing on page 16

Like the previous year, 2021/22 has been dominated by the pandemic. Our offices have been closed during much of this time. We have, however, been able to continue to offer services to our residents during this time and indeed, we have been able to increase the money spent on repairs and maintenance from £3.7m to £4.4m. The Board met virtually through most of the year, but we have now begun to hold meetings in person. It has been great to meet colleagues I have been working with face to face at last! Indeed we have recently had the opportunity of spending two days in Manchester with the first day seeing the excellent work carried out by saha in the city and the second spent on a Board meeting.

The Board's work has, included focus on the regulatory downgrade of saha's Governance to a non-compliant G3 in May 2021. We have agreed a programme of work to address the Regulator's concerns and set up a Task and Finish group consisting of Board members to monitor progress. I am pleased to say that most of the Regulator's concerns have been addressed and we hope to move to a compliant position before next year.

During the year, there have been a number of changes to the Board and senior staff.

- saha had been operating without an Executive Director of Corporate Services for some time. This has now been rectified and we were delighted to welcome Lynne Shea to this role on 4 January.
- saha's Chief Executive, Nigel Hills left us in February 2022. I would like to take this opportunity to thank Nigel for his work at saha from its early days. We wish him the very best in his retirement.
- In addition, the former Chair, Greg Lomax, tendered his resignation with effect from 31 March 2022. I would like to thank Greg for his hard work over a short period of time to resolve the issues facing saha over the time of his tenure. We wish him the very best in his retirement.
- Following Greg's departure, it was felt that it would be best to appoint an interim Chair from amongst the existing Board members and so I took up the role from 1 April 2022.
- The Board considered the position in relation to Chief Executive. Given that an interim Chair was in place, the Board decided to appoint an interim Chief Executive. Lynne Shea was appointed to the role.
- The Board also want to appoint a permanent Chair. This will take some time to complete and we anticipate making this appointment during quarter two of the 2022/23 financial year.
- Once a new Chair is in place, a full recruitment exercise will be carried out for a permanent Chief Executive.
- We have appointed Elliot Thomas to the Board and Stephen Bright to the Board and the Audit & Risk Committee. Elliot and Stephen bring an excellent understanding of governance, finance and business to saha.

We are also seeking new Board members with human resources and housing operations experience. One of the issues that we have identified over the past year has been that we need to improve our focus on saha's day to day operations. To do this, we will be improving the reports provided to the Board. We have also set up an Operations Committee and are looking to strengthen it with two additional independent members.

We recognise that saha had a number of weaknesses in its governance. The changes which have been made have improved our governance and have strengthened our relationship with stakeholders, particularly our Parent, The Salvation Army, giving us a secure foundation for the future.

## 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 our most vulnerable residents within the communities we operate within.

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.

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## 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 over 70 local authorities across England and have five main areas of operation:

### 1.      **Agency Managed Supported Housing (1,539 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 recovering from 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 (1,274 homes)**

We own a range of accommodation that provides secure affordable housing for families and individuals. 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 residents can engage in a range of activities.

### 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, we provide a range of support services to our residents. All schemes, including our Foyers which are tailored for those between the age of eighteen and twenty-five, have 24 hour staff support where 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 own a number of registered care homes, working with our partnering agency to provide support and care for clients in a residential environment.

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### External contracts

We manage 718 residential properties on behalf of The Salvation Army, providing a housing management service throughout the country through The Salvation Army Retired Officer portfolio.

We provide a Housing Management Accreditation service to 259 units delivering homeless services in partnership with our parent, The Salvation Army.

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 2022-25 highlights the organisation's key strategic priorities. At the heart of our Delivery Plan is our 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.

The Strategy is built upon five pillars. The Strategic focus and therefore the five *Strategic Priorities will focus on further enhancing*:

- Our practices
- Our places
- Our people
- Our pounds and;
- Our Governance

These priorities are reflected in the 2022/23 Corporate Delivery Annual Plan, highlighting measurable, time-bound delivery objectives, senior delivery ownership and targeted outcomes.

### Strategic Focus 2022/23

saha's strategic focus during 2022/23 aims to ensure emerging priorities and objectives are delivered. The key deliverables identified in the 2022/23 Delivery Plan included targeted outcomes associated with the following:

- Enhancing a local service offering across a national footprint through customer engagement and investment in technology.
- Ensuring our homes remain safe and decent through investment in excellent repairs, maintenance and compliance services.
- Creating a great place to work by continuing to be a values-led organisation, placing customers at the heart of everything we do.
- Maintaining robust financial strength and creating aspirational growth opportunities
- Enhancing our Governance arrangements through risk management, partnership working and Board effectiveness.

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## Operational Performance Overview

We adopt a balanced scorecard of key performance indicators grouped into the four key areas of; Our People, Our Places, Our Practices and Our Pounds. Our Governance is set out in the Governance report on page 12.

A summary of the main indicators, and our reported performance as at year end 2021/22, is set out below.

### Performance indicators

Our People					
Performance Indicator	Year End 2019/20	Year End 2020/21	Year End 2021/22	Target 2021/22	Movement – current year v last year
Average number of days sickness per person	7.30 days	11.34 days	8.62 days	7.00 days	●
Employee turnover (total)	42.74%	24.09%	35.52%	25.00%	●
Our Places					
Performance Indicator	Year End 2019/20	Year End 2020/21	Year End 2021/22	Target 2021/22	Movement – current year v last year
Repairs completed in target (Contractors)	93.02%	94.82%	92.28%	96.00%	●
Repairs completed right first time	87.38%	79.25%	63.54%	90.00%	●
Average energy efficiency rating	70.04	70.50	70.93	71.00	●
Our Practices					
Performance Indicator	Year End 2019/20	Year End 2020/21	Year End 2021/22	Target 2021/22	Movement – current year v last year
Total Current Arrears (Gross) (All Housing Services)	5.46%	4.44%	4.78%	5.00%	●
Total Void % of Stock (All Housing Services)	4.91%	4.80%	3.10%	2.00%	●
Total Void Rent Loss (All Housing Services)	3.06%	4.22%	4.90%	2.00%	●
Total Void Turnaround (All Housing Services)	23.15 days	33.17 days	40.86 days	21 days	●
Our Pounds					
Performance Indicator	Year End 2019/20	Year End 2020/21	Year End 2021/22	Target 2021/22	Movement – current year v last year
Rent Written Off	0.98%	2.63%	1.22%	1.00%	●
Operating Margin	7.9%	22.8%	13.4%	16.50%	●
Return on assets (surplus / fixed asset)	1.27%	1.58%	3.72%	2.9%	●
Interest cover covenant	2.22	4.31	2.02	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



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## Operational Performance Overview (continued)

### Average number of sick days

The metric has improved on the prior year outcome but still remains below target. COVID-19 and long-term sickness absences continue to influence the outcome for the year.

### Employee Turnover

The metric has deteriorated when compared to the prior year outcome and remains below target for the year. During the year, a restructuring of several departments contributed sixteen percent of overall staff turnover. Excluding the impact of the restructures, staff turnover would have been below the annual target. Like many organisations in the sector, saha has experienced high rates of resignation as colleagues seek to explore new career and lifestyle opportunities.

### Repairs and Void properties

A deterioration in contractor performance has impacted on the Association's performance. Following a retendering of the service during the 2022 financial year a new contractor was appointed to deliver Repairs and Maintenance services with effect from February 2022. Contractor performance is being monitored on a monthly basis and regular feedback from residents on repairs satisfaction is also being undertaken to improve the service.

## Risk Management

saha's Board has adopted a risk-aware approach to managing the business through its Risk and Assurance Framework.

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 should risks crystallise.

Risk is regularly reviewed by the Executive, and reported to both Audit and Risk Committee and Board.

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

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## Principal Risks and Uncertainties

saha continues to identify and actively manage a wide range of Strategic and Operational risks. The Key Strategic risks facing the Association are:

- Failure to retain and improve upon current Governance and Financial Viability Regulatory grading.
- Failure to meet lender covenant compliance
- Failure to deliver landlord compliance requirements
- Failure to attract and retain employee talent
- Maintaining good quality social housing stock
- Ensuring good quality services are delivered to residents
- Maintaining good cost control during periods of economic uncertainty
- Ensuring operational Key Performance Measures operate within annual targets.
- Ensuring good quality data and security
- There is an inherent risk within commissioning of contracts for Supported Services. The risk exists between short term commissioning and long-term leasing of suitable accommodation.

## Statement on internal control

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 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.

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### **Statement on internal control (continued)**

#### 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 2022 states that in the opinion of the Internal auditor, saha has in place an adequate framework for identifying, evaluating and managing risks.

Governance Report

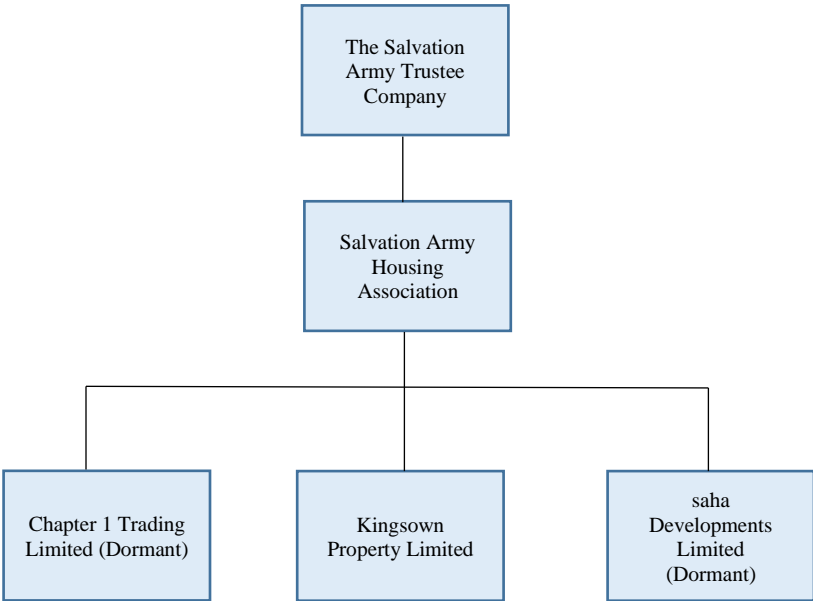
Governance Structure

As a registered provider of social housing, saha is governed by its Board which is committed to achieving the highest standards of corporate governance.

As of April 2022 saha has adopted the National Housing Federation’s (NHF) Code of Governance (2020 Edition), previously adopting the 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 regulatory governance grading (G3 from May 2021) and is committed to returning to a compliant grading as soon as possible.

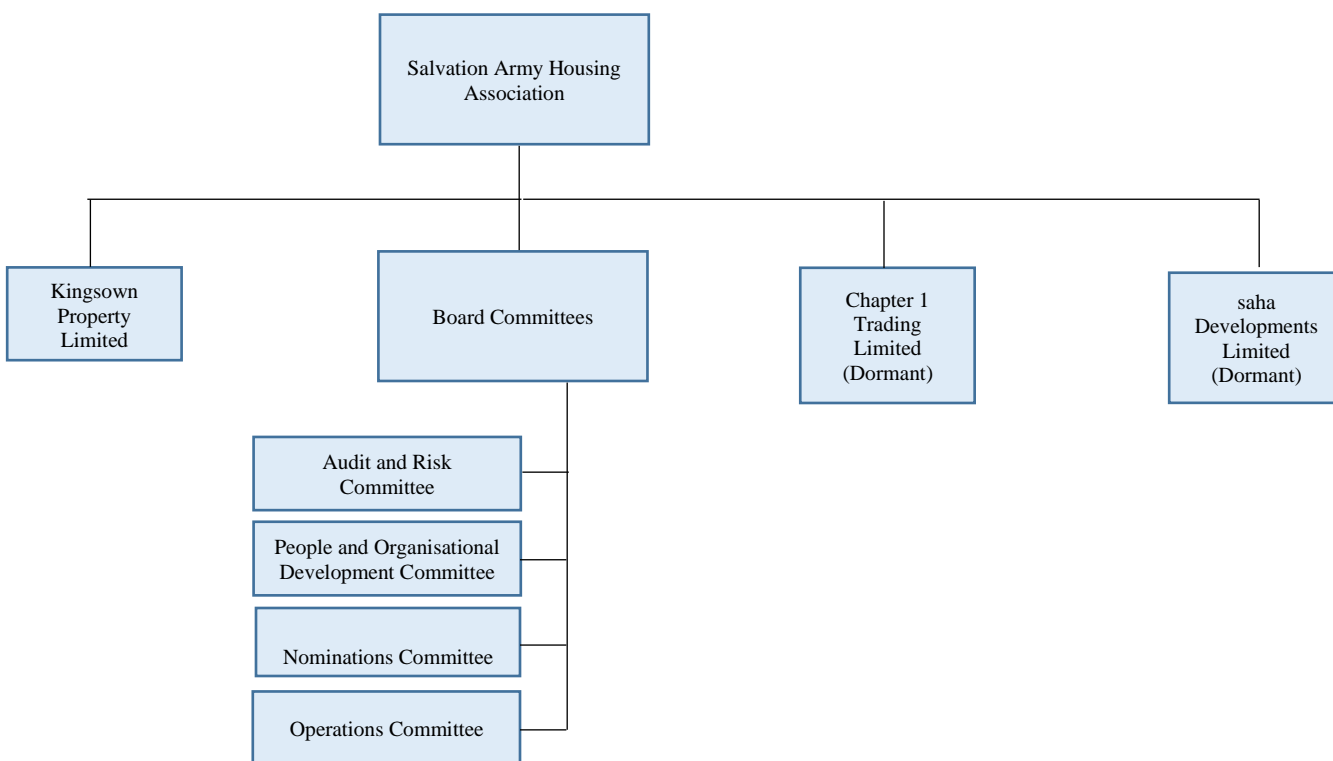
saha is a Registered Provider of Social Housing and the parent company of Chapter 1 Trading Limited (dormant), saha Developments Limited (dormant) and Kingsown Property Limited. saha was formed in 1959 by The Salvation Army and therefore the ultimate parent undertaking is The Salvation Army Trustee Company.

The saha Group structure is shown in the chart below.



The Governance structure below sets out the governance framework adopted by saha’s Board. The Group Board is charged with maintaining control of the overall structure and has the ability to appoint and remove Members from both Subsidiary Boards as well as Board Committees, with the exception of the resident scrutiny committee which remains independent of the Group Board. Decision making and oversight of performance is delegated to the Subsidiary Board and Committees, allowing Board to focus on key areas of Strategic Importance.

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**Governance Structure (continued)****Objectives of the 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 Organisational Development 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.
- Nominations Committee – responsible for the recruitment process, interview and selection of candidates for membership of the saha Board, and to make recommendations to the saha Board, ensuring that candidates possess the requisite skills and experience to fulfil the duties of a Board member.
- Operations Committee – responsible for providing assurance to the Board on saha’s operational performance and service delivery to residents; approving Board delegated non-key policies and monitoring progress against saha’s strategic plans.

**Resident Scrutiny Panel**

- Together for Residents (T4R) scrutiny panel – responsible for providing scrutiny and oversight of service delivery, resident involvement and improving the customer experience.

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**Governance Structure (continued)****The Executive**

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 2020 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 2022, the Board comprised 11 members in accordance with the Association's agreed governance. The Board composition is kept under review to ensure that the skills, knowledge and experience of its members are, or will be, suitable to meet the current and longer term needs of the business and its strategic plans. Board members are drawn from a wide background bringing together professional, commercial and customer experience.

**The role of the Board**

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

**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 Trustee Company.

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**Governance Structure (continued)*****Board appraisal and development***

The Board undertakes an individual and collective self-appraisal every year. The 2021 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 2022/23.

Although two new Board members were appointed during the year, strengthening the Board, further recruitment is planned for a new permanent Chair and additional Board members, to address the gaps created by the resignation of the interim Chair and retirement of the Chief Executive at the end of March 2022 and the impending retirement of two other Board members who will complete their statutory terms of office in the coming year. This will ensure an orderly succession plan whilst offering the opportunity to bolster skills and experience in specific targeted areas.

***Management System***

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

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**REPORT OF THE BOARD**

The Board presents its report together with the audited financial statements for the year ended 31 March 2022.

***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.

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.



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**REPORT OF THE BOARD (continued)****Performance in the year**

## Financial Review

Financial performance for the year was much improved upon both the prior year and the budgeted expectation despite the challenges faced from an uncertain economic environment. saha remains optimistic and open to future business opportunities.

The statement of comprehensive income is presented on page 36, whilst financial performance analysed by core operating activities is presented on page 54.

saha's results demonstrate a robust performance for the year with a surplus for the year of £6.7m (2021: £2.8m). This was achieved during a particularly challenging year in which the economic and operating environment has shown significant volatility.

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

	2022	2021
	£000's	£000's
Turnover	32,196	36,867
Operating costs	(27,887)	(28,453)
Profit/(Loss) on disposal of tangible fixed assets	662	(3,373)
Net interest payable	(1,256)	(1,299)
Revaluation gain/(loss) on investment property	2,950	(950)
<b>Surplus for the year</b>	<b>6,665</b>	<b>2,792</b>
Actuarial gains/(losses) in respect of pension scheme	944	(2,583)
<b>Total comprehensive income for the year</b>	<b>7,609</b>	<b>209</b>

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

	2022	2021
	£000's	£000's
Total fixed assets	179,130	176,911
Net current assets	(1,140)	4,410
Loans and other long term creditors	(102,973)	(113,913)
<b>Reserves</b>	<b>75,017</b>	<b>67,408</b>

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**REPORT OF THE BOARD (continued)****Capital structure and treasury management policy**

saha's Treasury Management Policy is based on guidance issued by The Chartered Institute of Public Finance and Accountancy (CIPFA). The aim of the 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 £22.4m (2021: £28.5m). This debt is borrowed wholly from banks in the UK and The Housing Finance Corporation (THFC).

Treasury management is the responsibility of the most Senior Financial Officer. 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 72%.

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

	2022	2021
	£000's	£000's
< 1 year	2,507	1,565
1 - 2 years	2,742	1,528
3 - 5 years	4,063	10,939
> 5 years	13,061	14,441
	22,373	28,473

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

## 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

**REPORT OF THE BOARD (continued)****Capital structure and treasury management policy (continued)**

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

**Loan covenant compliance**

Compliance against loan covenants is predominantly based upon interest cover, gearing ratios and asset cover calculations. Compliance against covenants is monitored on a monthly basis and embedded within both the short and long-term financial planning of the Association.

The updated 30-year long-term financial plan in respect of all lenders continues to demonstrate compliance with covenants.

**Cashflows**

The inflow and outflow of cash during the financial year is reported on page 39.

Overall, cash balances reduced by £3.7m during the year (2021: increase £4.2m). Cash generated through Operating activities remained strong at £8.3m (2021: £5.6m) with no new loan funding required during the year.

Net cash outflow through investing activities was £4.7m for the year (2021: inflow £1.4m). Proceeds on disposal of housing properties generated £1.7m (2021: £3.6m) however this was offset by a similar amount of £1.7m repaid in Grants (2021: nil). A total of £4.7m was spent on works to existing properties (2021: £2.3m).

Cash outflow in respect of financing activities was £7.4m (2021: £2.8m), this included £1.3m of interest payments (2021: £1.3m) and £6.1m in loan repayments (2021: £1.6m).

**Current liquidity**

Cash and bank balances at the year-end were £8.3m (2021: £12.0m). Net current assets were (£1.1m) (net liability) whilst 2021 reported a net current asset of £4.4m. The early repayment of loans accelerated cash outflow resulting in a net liability position for the 2022 year end.

**Going concern**

The Board has considered the implications of the ongoing economic environment, pandemic related factors and the other impacts of political events on cash flows along with risk of cessation of funding at key schemes and believes the Association has 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, which has been independently appraised by a Sector specialist consultancy. For these reasons, the Board 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.

## 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

**REPORT OF THE BOARD (continued)****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 related to intra-group arrangements with its parent, The Salvation Army (TSA), surrounding the historic funding structure of its leased schemes. The Board is pleased to confirm those discussions have been completed and a satisfactory outcome has been achieved for both saha and The Salvation Army. The Board also acknowledges the regulatory decision to award saha "G3", a non-compliant governance grading, as at May 2021. saha and the Regulator continue to work together in restoring saha's compliant Governance grading.

The Regulator confirmed saha's V2 Financial Viability grading in November 2021.

**Housing properties**

At 31 March 2022, saha owned and / or managed 3,793 units (2021:3,819 units)

Housing properties are recognised in the Statement of Financial Position at Historical Cost. At 31 March 2022 the carrying value of housing properties is £146,591,549 (2021: £147,500,596).

During the year, two schemes have been impaired totaling £0.5m. The service delivery model at both schemes is under review with a risk of local authority funding being removed.

Investment in housing properties during the year was funded through internally generated cash surpluses.

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, 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

## 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

**REPORT OF THE BOARD (continued)****Policy on employment (continued)**

others. A separate Health & Safety staff group regularly reviews Health & Safety good practice and compliance, across the business.

**Rent policy**

saha sets 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.

**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

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

**REPORT OF THE BOARD (continued)**

**Investment for the future (continued)**

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.

**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 2022/23 will be laid before the Annual General Meeting on 22 September 2022.

BY ORDER OF THE BOARD 21 July 2022

*Paul Phillips*

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Interim Chairman  
Paul Phillips

25/7/2022

## 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 STATEMENT****We Transform Lives**

Our strategic priority is to Transform Lives, our approach to Value for Money enables 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 and therefore our aim is to ensure our approach to Value for Money (VfM) allows us to maximise our investment in quality homes and services. The value we ultimately seek, is to effectively utilise those resources to help residents sustain their tenancies and maximise the outcome they can realise from our incredible Support offering.

The Board takes a strategic view of VfM and drives the delivery of outcomes by ensuring it is embedded throughout the Association and reflected within the corporate strategy.

Within our Supported Service provision, saha measures value through the achievement of its mission, Transforming Lives. In doing so, saha has identified three key objectives measuring Social Impact, Investment and Business Strength to demonstrate how value is being created. The key objectives are categorised as:

- The positive impact we have on residents lives
- Investment in existing housing accommodation and;
- Our business strength measured through The Regulator's VfM metrics

**Impact on residents' lives**

The aim of this objective is to demonstrate the positive impact saha has had on improving residents' quality of life by enabling them to develop and achieve their full potential. We measure this through four social metric themes.

**Social Networks and relationships**

Developing social networks and relationships is fundamental to improving residents' confidence, social interaction and independent living. During the year we engaged with 222 residents with an aim of improving their social network and relationships. We successfully supported 211 residents at improving their interaction skills and ability to form lasting relationships. This represented a 95% success rate and a significant increase on a target of 85%.

## 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)**Emotional and mental health

Improvement in emotional and mental health is measured through four specific indicators.

<b>Measure</b>	<b>Target 2023</b>	<b>Target 2022</b>	<b>Actual 2022</b>	<b>Actual 2021</b>
Improved mental wellbeing	75%	75%	80%	78%
Improved physical wellbeing	75%	75%	95%	89%
Better managed self-harm	75%	75%	81%	77%
Better managed substance abuse	65%	65%	58%	57%

During the year a series of positive outcomes were delivered with most targets achieved.

Better managed substance abuse - we were not able to achieve our target of supporting engaged residents to better manage substance abuse. Identifying and recruiting skilled professionals to support residents through this challenging process has been difficult to achieve due to a much reduced labour market.

Meaningful use of time

saha's approach to supporting residents to achieve a more meaningful use of their time is monitored through the following performance indicators.

<b>Measure</b>	<b>Target 2023</b>	<b>Target 2022</b>	<b>Actual 2022</b>	<b>Actual 2021</b>
Gained employment	50%	50%	34%	32%
Participated in education and training	75%	75%	75%	71%
Number of residents gaining a qualification	150	100	238	211



## 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)**Meaningful use of time (continued)

saha has partnered with AQA, an independent education charity and the largest provider of academic qualifications taught in UK schools and colleges. As an approved AQA centre, saha is able to offer residents the opportunity to achieve a formal recognised qualification. Although pandemic related factors has restricted the delivery of learning we are delighted with the outcomes relating to participation and residents gaining a qualification. We recognise we have not been as successful as we would have liked in supporting our residents to gain employment, much of this is associated with pandemic related factors as well as the current volatile economic environment.

Managing tenancy and accommodation

This theme measures the percentage of residents who move-on into independent living following a period of occupancy within a saha Supported service. saha's Supported service enables residents to develop their skills and abilities that will enable them to sustain their tenancy and become a responsible tenant as well as a good neighbour.

<b>Measure</b>	<b>Target 2023</b>	<b>Target 2022</b>	<b>Actual 2022</b>	<b>Actual 2021</b>
Moved out in a planned way	80%	70%	75%	80%
Maximised income	90%	90%	95%	98%
Reduced overall debt	75%	75%	69%	68%
Tenancy sustainment	70%	70%	75%	n/a

saha's success in supporting residents to maintain a successful tenancy can be seen in the above metrics. Not all of our engaged residents were successful in reducing their overall debt. The combination of a much reduced labour market as well as an escalating cost of living crisis has created a challenging environment for residents to successfully manage their debt.

## 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*)****Investment in existing housing accommodation**

In total, £4.9m was spent during the year (2021: £2.3m) on the replacement of housing property components. This included £1.5m on improving energy efficiency.

2021/22 represents the beginning of saha's five-year asset management strategy. The strategy has enabled saha to forward plan spend, creating an opportunity to procure goods and services proactively whilst achieving financial and programme delivery efficiencies. As a result, the five-year programme is designed to identify preventative works as opposed to reactive maintenance and repair.

Housing properties are our core asset and therefore crucial to the delivery of our overall objectives and our long-term financial plan. During the 2022/23 and 2027/28 financial years, saha anticipates investing £23m in our housing properties, ensuring the sustainability of our services whilst continuing to support the delivery of our overall objectives and long-term financial plans.

## 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)****Performance against the Regulator's Value for Money metrics**

saha measures VfM performance throughout the year using the Regulator of Social Housing's metrics to demonstrate 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 data used for comparing performance against our peer group has been derived from the Regulator's Value for Money metrics published alongside the 2021 Global Accounts of Registered Providers and the 2021 Sector Scorecard. saha's peer group contains 16 Registered Providers of similar size and stock demographic.

**Business health**

	<b>Target 2023</b>	<b>Target 2022</b>	<b>Actual 2022</b>	<b>Actual 2021</b>	<b>Actual 2020</b>	<b>Actual 2019</b>	<b>Peer group Median</b>
Operating margin – overall	15.8%	13.8%	13.4%	22.8%	7.9%	8.1%	8.4%
Operating margin - SHL	13.4%	14.8%	10.0%	10.4%	4.4%	11.3%	13.4%
EBITDA MRI interest cover	335.7%	208.3%	127.1%	617.0%	243.3%	223.4%	284.0%

Operating margin – overall – the 2021 Median across the peer group was 8.4%, with margins ranging between 0% and 31%. saha's margin for 2021 was 22.8% which placed it in fourth position within the peer group. When comparing the 2022 operating margin to the 2022 target, the margin is broadly in line with budgeted expectations.

Operating margin – social housing lettings – the 2021 Median across the peer group was 13.4%, with margins between 0% and 44%. saha's margin for 2021 was 10.4% which placed saha in tenth position when compared to the overall peer group. When comparing the 2022 margin to the 2022 target, performance was below budgeted expectations. This has been largely influenced through higher than budgeted void losses.

EBITDA MRI interest cover – the 2021 Median across the peer group was 284%, ranging between 0% and 27,000%. saha's EBITDA MRI for 2021 was 617%, which placed it in fourth position when compared to the overall peer group. When comparing the 2022 EBITDA MRI to the 2022 target, performance was below budgeted expectation. During the year, Board made a decision to commit extra investment in Major Works which had a large proportion of capital spend. The additional capital spend is included within the EBITDA calculation, which in turn reduced the overall cover.

## 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)**Capacity and supply

	<b>Target 2023</b>	<b>Target 2022</b>	<b>Actual 2022</b>	<b>Actual 2021</b>	<b>Actual 2020</b>	<b>Actual 2019</b>	<b>Peer group Median</b>
New supply delivered – Social housing units	0.0%	0.0%	0.0%	0.0%	0.4%	1.0%	1.53%
New supply delivered – non-social housing units	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%
Gearing	9.5%	12.4%	9.6%	11.2%	14.2%	13.4%	13.7%

New supply delivered – saha is not engaged in the delivery of new housing accommodation. The Board made a decision to suspend all development activities in May 2021 following the Regulator's announcement of saha's Governance downgrade to a G3. The G3 grading had no impact on saha's long-term financial viability to deliver new housing accommodation, however Board made the decision to suspend activity so it could place its full focus on achieving a return to a compliant Governance grading.

Gearing – the 2021 Median was 13.7%, ranging between 0% and 66%. saha's Gearing for 2021 was 11.2% placing it within the lowest five Geared organisations in the peer group. When comparing Gearing for 2022 against the target, Gearing has performed better than expected. During the year, saha's cash balances were higher than required to deliver operational requirements. Excess cash has been utilised to redeem historical loans with high interest rates as well as repayments made to the Revolving Credit Facility.

Outcomes delivered

	<b>Target 2023</b>	<b>Target 2022</b>	<b>Actual 2022</b>	<b>Actual 2021</b>	<b>Actual 2020</b>	<b>Actual 2019</b>	<b>Peer group Median</b>
Reinvestment	1.5%	2.6%	3.3%	1.6%	2.3%	2.5%	4.1%

Reinvestment – the 2021 Median was 4.1%, which ranged between 0% and 13% for the peer group, placing saha in fourteenth place when compared to the overall peer group. This is largely influenced by saha's decision to suspend investment on new housing properties. When comparing reinvestment for 2022 against the target, Reinvestment has performed better than expected. This is influenced by Board's decision to provide additional investment in the 2022 major works programme 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

**Value for Money (continued)**Effective asset management

	<b>Target 2023</b>	<b>Target 2022</b>	<b>Actual 2022</b>	<b>Actual 2021</b>	<b>Actual 2020</b>	<b>Actual 2019</b>	<b>Peer group Median</b>
Return on Capital Employed	2.9%	2.9%	2.8%	2.8%	1.4%	1.6%	3.2%
Ratio of responsive repairs to planned maintenance (Sector Scorecard)	1.6	1.4	1.3	1.3	1.7	1.6	1.5

Return on Capital Employed – the 2021 Median was 3.2%, which ranged between 1% and 35% for the peer group, placing saha in twelfth place when compared to the overall peer group. The ratio focuses on long-term returns and effectively indicates how well assets are performing. Based upon the above, saha's return is broadly in line with budgeted expectation.

Ratio of responsive repairs to planned maintenance is an indicator of how much has been spent on routine maintenance when compared to the amount invested into planned maintenance. A lower percentage is regarded as more favourable.

The 2021 Median was 1.5. saha's ratio is reported at 1.3 for the 2021 year, which positions saha in seventh place when compared to the peer group. When comparing the 2022 ratio against the 2022 target, the ratio has performed better than budget following additional Board approved investment in the major works programme during the year.

	<b>Target 2023</b>	<b>Target 2022</b>	<b>Actual 2022</b>	<b>Actual 2021</b>	<b>Actual 2020</b>	<b>Actual 2019</b>	<b>Peer group Median</b>
Headline social housing cost	£7,236	£7,750	£7,414	£6,624	£6,651	£6,911	£7,763
Management cost	£1,948	£2,067	£1,774	£1,806	£1,838	£1,919	£1,436
Service charge cost	£2,258	£2,258	£2,151	£2,162	£2,185	£2,192	£1,705
Maintenance	£1,155	£1,329	£1,207	£1,002	£1,082	£1,086	£1,048
Major repairs	£1,101	£1,327	£1,486	£763	£964	£664	£436
Other social housing	£774	£769	£796	£891	£496	£241	£2,206
Overheads as a % of Turnover (Sector Scorecard)	16.3	21.6	21.6	18.6	22.5	20.8	13.4

saha's 2021 headline social housing cost per unit of £6,624 is below the 2021 Median for the peer group of £7,763. When comparing saha's 2021 result against the peer group, saha was the sixth lowest cost Provider in its peer group.

## 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

**Resident survey**

As a responsible landlord, our resident voice is vital to ensure we deliver relevant quality services to our residents and service users. Our STAR survey was last undertaken in 2018/2019 with the views of our General Needs residents specifically sought. Our next STAR survey will be carried out during the 2022/23 financial year.

Key measure	Target 2023	STAR survey
Customer satisfaction with:		
Overall satisfaction	95%	67%
Quality of home	80%	72%
Repairs and maintenance	75%	73%
Neighbourhood	80%	76%
Listens and acts	75%	53%
Complaints handling	75%	54%
Engagement with landlord:		
Easy to deal with	80%	72%
Know how to raise a complaint	90%	86%
Kept informed	75%	64%
Treated fairly and with respect	80%	75%

**Customer satisfaction**

The 2018/2019 survey produced feedback which fell below our expectations. To address this, we've carried out a restructure, appointed a New Head of Customer Insight to help us understand and improve the services important to our residents. A new repairs and maintenance contractor was appointed in February 2022 following a thorough and in-depth procurement process. The new relationship is going well, regular performance meetings take place and good quality data is being received by the Property Services team to help drive improvements in overall service delivery. Our Together for Residents scrutiny panel help us to focus on key topics which affect the Neighbourhood and Communities where residents live. We've recently launched a Service Charge consultation with the panel where we're seeking feedback on the quality of services delivered. We aim to report the outcome of this in our 2023 review of the financial statements.

**Engagement with landlord**

Our commitment to improved tenant engagement can be seen through the recent work we've been doing with residents. During the year we've worked closely with our Together for Residents panel to help residents understand how we calculate rents and service charges as well as how we deliver efficiencies through procurement leading into Value for Money for services. We've also started the process to phase out our obsolete housing systems with an aim to deliver a more customer centric service through on-demand resident communication, delivering accessibility to key services through the implementation of a modern housing system. More recently the Executive and Senior Management Teams have undertaken a series of visits to the Schemes and Communities we serve to gauge first hand feedback from residents in relation to the services we deliver. This has generated some strong feedback which will be used to deliver improvements to service delivery.

## 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

**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 2022, 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 2022 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 2022.

**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

## 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

**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](http://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 update, United Kingdom Generally Accepted Accounting Practice including Financial

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

Reporting Standard 102, the Accounting Direction for Private Registered Providers of Social Housing 2022, and the NHF Code of Governance 2020. 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.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it;

## 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

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

- 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.

**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: 25/7/2022

## 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 2022**

	Notes	2022 £	2021 £
<b>Turnover</b>	2A/2B	32,196,292	36,867,574
Operating expenditure	2A/2B	(27,886,846)	(28,452,557)
Gain/(Loss) on disposal of tangible fixed assets	4	661,617	(3,373,176)
<b>Operating surplus</b>		4,971,063	5,041,841
Interest receivable	5	757	6,634
Interest and financing costs	6	(1,257,339)	(1,306,419)
Gain/(Loss) on revaluation of investment properties	8	2,950,000	(950,000)
<b>Surplus for the financial year</b>	7	6,664,481	2,792,056
Actuarial gain/(loss) in respect of pension scheme	23	944,026	(2,582,799)
<b>Total comprehensive income for financial year</b>		7,608,507	209,257

All amounts relate to continuing operations.

The accompanying notes on pages 41 - 82 form part of these financial statements.

These financial statements were approved and authorised by the Board on 21 July 2022

*Paul Phillips*

Interim Chair  
Paul Phillips

25/7/2022

*Andrew Lawrence*

Board Member  
Andrew Lawrence

25/7/2022

*David Chrystal*

Company Secretary  
David Chrystal

25/7/2022

## 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 2022**

	Share Capital	Revenue Reserve	Restricted Reserves	Revaluation Reserves	Total
	£	£	£	£	£
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)	-	-	-	-	-
<b>Balance as at 31 March 2021</b>	<b>10</b>	<b>60,039,747</b>	<b>6,390,862</b>	<b>977,488</b>	<b>67,408,107</b>
Surplus for the year	-	7,608,507	-	-	7,608,507
Transfers from revenue reserves to revaluation reserves	-	(2,950,000)	-	2,950,000	-
Transfers from restricted reserves to revenue reserves	-	9,292	(9,292)	-	-
Shares issued/ (cancelled) (net)	1	-	-	-	1
<b>Balance as at 31 March 2022</b>	<b>11</b>	<b>64,707,546</b>	<b>6,381,570</b>	<b>3,927,488</b>	<b>75,016,615</b>

The accompanying notes on pages 41 - 82 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 2022**

	Notes	2022 £	2021 £
<b>Fixed assets</b>			
Housing properties	10	146,591,549	147,500,596
Property, plant and equipment	11	538,678	360,525
Investment Properties	8	32,000,000	29,050,000
Investments	12	51	51
		<u>179,130,278</u>	<u>176,911,172</u>
<b>Current assets</b>			
Debtors	14	1,684,702	2,434,778
Cash and cash equivalents	15	8,269,817	11,988,992
		<u>9,954,519</u>	<u>14,423,770</u>
<b>Creditors: amounts falling due in less than one year</b>	16	<u>(11,094,551)</u>	<u>(10,013,442)</u>
<b>Net current (liabilities)/assets</b>		<u>(1,140,032)</u>	<u>4,410,328</u>
<b>Total assets less current liabilities</b>		<u>177,990,246</u>	<u>181,321,500</u>
<b>Creditors: amounts falling due after more than one year</b>	16	(100,110,621)	(109,724,393)
Provision for liabilities:			
- Defined benefit obligation	23	(2,863,010)	(4,189,000)
<b>Net assets</b>		<u>75,016,615</u>	<u>67,408,107</u>
<b>Capital and reserves</b>			
Called up share capital	20	11	10
Restricted reserves	21	6,381,570	6,390,862
Revenue reserve		64,707,546	60,039,747
Revaluation Reserve	21	3,927,488	977,488
		<u>75,016,615</u>	<u>67,408,107</u>

The accompanying notes on pages 41 – 82 form part of these financial statements.

The financial statements were approved by the Board on 21 July 2022 and signed on its behalf by:

*Paul Phillips*

Interim Chair  
Paul Phillips

25/7/2022

*Andrew Lawrence*

Board Member  
Andrew Lawrence

25/7/2022

*David Chrystal*

Company Secretary  
David Chrystal

25/7/2022

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

**STATEMENT OF CASH FLOWS for the year ended 31 March 2022**

	Notes	2022	2021
		£	£
Operating surplus	2A	4,971,063	5,041,841
Amortisation of grants	18	(2,494,885)	(2,799,224)
Depreciation charges	7	3,910,924	4,351,643
Housing Property and PPE Impairment	7	455,285	1,337,290
Accelerated depreciation	2B/ 7/10	712,166	369,564
(Surplus)/Loss on disposal of tangible fixed assets	2A/4	(661,617)	3,373,176
SHG written off to Income	2A	-	(4,461,026)
Decrease/(Increase) in debtors		750,076	(272,840)
Increase/(Decrease) in creditors		1,137,948	(783,752)
(Deduct) pension adjustment		(448,319)	(480,944)
<b>Net cash from operating activities</b>		<b>8,332,641</b>	<b>5,675,728</b>
<b>Cash flow from investing activities</b>			
Interest received	5	757	6,634
Grants repaid	18	(1,703,540)	-
Additions to PPE	8/10/11	(4,710,257)	(2,260,597)
Proceeds on disposal of PPE	4	1,727,215	3,610,309
<b>Net cash used in investing activities</b>		<b>(4,685,825)</b>	<b>1,356,346</b>
<b>Cash flow from financing activities</b>			
Interest paid		(1,265,974)	(1,285,646)
Loans repaid		(6,100,018)	(1,555,715)
Share issue	20	1	-
<b>Net cash used in financing activities</b>		<b>(7,365,991)</b>	<b>(2,841,361)</b>
<b>(Decrease)/Increase in cash and cash equivalents</b>		<b>(3,719,175)</b>	<b>4,190,713</b>
Cash and cash equivalents at beginning of the year	15	<b>11,988,992</b>	<b>7,798,279</b>
<b>Net cash and cash equivalents at 31 March</b>	15	<b>8,269,817</b>	<b>11,988,992</b>

The accompanying notes on pages 41 - 82 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 for the year ended 31 March 2022.**

	<b>At 1 April 2021</b>	<b>Cash flow</b>	<b>Other non – cash movements</b>	<b>At 31 March 2022</b>
	£	£	£	£
Cash and cash equivalents	11,988,992	(3,719,175)	-	8,269,817
Housing Loans due within one year	(3,116,812)	(2,506,805)	-	(5,623,617)
Housing Loans due after more than one year	(25,356,117)	8,606,822	-	(16,749,295)
<b>Total</b>	(16,483,937)	2,380,842	-	(14,103,095)

The accompanying notes on pages 41 - 82 form part of these financial statements.



**NOTES TO THE FINANCIAL STATEMENTS – Year ended 31 March 2022****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 3<sup>rd</sup> 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 – a dormant company, 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](http://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 2022 continued****1. Accounting policies (continued)****Going concern**

The Board has considered the implications of the ongoing economic environment, pandemic related factors and the other impacts of political events on cash flows along with risk of cessation of funding at key schemes and believes saha has 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, which has been independently appraised by a Sector specialist consultancy. For these reasons, the Board continues to adopt the going concern basis in preparing the financial statements.

**Key sources of estimation uncertainty and judgements**

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

**Significant management judgements**

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

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

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

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 2022 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 2021/22.

*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 £455,285.

*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 2022 was £57,543,066.

*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. The valuation as at 31 March 2022 was £32,000,000.

**NOTES TO THE FINANCIAL STATEMENTS – Year ended 31 March 2022 continued****1. Accounting policies – estimation uncertainty (continued)***Bad debt provision*

The gross trade debtors balance of £1,432,084 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 2022 was £2,863,010.

*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 2022 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 2022 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:

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**NOTES TO THE FINANCIAL STATEMENTS – Year ended 31 March 2022 continued****1. Accounting policies (continued)**

Freehold Land	Not depreciated
Building – Main Fabric (structure)	50-75 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.



## 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 2022 continued**

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

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

Other property, plant and equipment

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

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.



**NOTES TO THE FINANCIAL STATEMENTS – Year ended 31 March 2022 continued**Government grants

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

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

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

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.

**NOTES TO THE FINANCIAL STATEMENTS – Year ended 31 March 2022 continued**Leases (continued)

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

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

Provisions for liabilities

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

Taxation

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

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

Deferred tax is recognised in respect of all timing differences between taxable profits and total comprehensive income that have originated but not reversed at the Statement of Financial Position date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the Statement of Financial Position date.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the company intends to settle on a net basis.

## 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 2022 continued**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 £11m (2021: £11.1m) and total operating costs amounted to £9.5m (2021: £9.7m).

Management expenses

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

Restricted reserves

Restricted reserves relate to funds received by the Association for specific purposes and these are held and used for that purpose. These include Catherine Baird Court, Property Reserve and Other Reserves (see note 21 for detailed explanations and purpose of the reserves).

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 2022 continued****2A. Particulars of turnover, operating expenditure and operating surplus / (deficit) for the year**

	2022				2021			
	Turnover £	Other Income £	Operating Expenditure £	Operating Surplus / (Deficit) £	Turnover £	Other Income £	Operating Expenditure £	Operating Surplus / (Deficit) £
<b>Social housing lettings (Note 2B):</b>								
General Needs accommodation	7,442,812	-	(6,648,958)	793,854	7,434,328	-	(6,183,217)	1,251,111
Supported Housing and Housing for Older People	18,056,969	-	(16,193,255)	1,863,714	18,321,077	-	(16,806,584)	1,514,493
Other – Foyers	1,527,212	-	(1,470,230)	56,982	1,545,706	-	(1,479,364)	66,342
	<u>27,026,993</u>	<u>-</u>	<u>(24,312,443)</u>	<u>2,714,550</u>	<u>27,301,111</u>	<u>-</u>	<u>(24,469,165)</u>	<u>2,831,946</u>
<b>Other social housing activities:</b>								
Charges for support services	2,050,681	-	(2,150,944)	(100,263)	1,980,206	-	(2,267,230)	(287,024)
Gift Aid	200,350	-	-	200,350	214,976	-	-	214,976
Contributions from Agencies	252,176	-	-	252,176	253,515	-	-	253,515
Other Social Housing activities	826,492	-	(514,645)	311,847	858,668	-	(853,868)	4,800
SHG written off to income	-	-	-	-	4,461,026	-	-	4,461,026
Subsidiary Loan written off	-	-	-	-	-	-	(18,501)	(18,501)
Gain/Loss on disposal of tangible fixed assets	-	661,617	-	661,617	-	(3,373,176)	-	(3,373,176)
	<u>30,356,692</u>	<u>661,617</u>	<u>(26,978,032)</u>	<u>4,040,277</u>	<u>35,069,502</u>	<u>(3,373,176)</u>	<u>(27,608,764)</u>	<u>4,087,562</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

**NOTES TO THE FINANCIAL STATEMENTS – Year ended 31 March 2022 continued****2A. Particulars of turnover, operating expenditure and operating surplus / (deficit) for the year (continued)**

	2022				2021			
	Turnover £	Other Income £	Operating Expenditure £	Operating Surplus / (Deficit) £	Turnover £	Other Income £	Operating Expenditure £	Operating Surplus / (Deficit) £
<b>Activities other than social housing activities:</b>								
Registered Care	263,257	-	(288,243)	(24,986)	248,765	-	(287,177)	(38,412)
Student Accommodation	1,563,830	-	(368,731)	1,195,099	1,539,923	-	(368,690)	1,171,233
Social Enterprise	12,513	-	(251,840)	(239,327)	9,384	-	(187,926)	(178,542)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	32,196,292	661,617	(27,886,846)	4,971,063	36,867,574	(3,373,176)	(28,452,557)	5,041,841
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

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

**NOTES TO THE FINANCIAL STATEMENTS – Year ended 31 March 2022 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	2022 Total	2021 Total
	£	£	£	£	£	£
<b>Income</b>						
Rent receivable net of identifiable service charges and voids	6,131,803	6,639,245	3,212,024	508,837	16,491,909	16,405,825
Service charge income	585,971	2,608,302	3,551,874	942,516	7,688,663	7,724,635
Support income	-	-	243,560	-	243,560	238,214
Amortised government grants	725,038	1,270,642	432,084	52,983	2,480,747	2,785,087
Other revenue grants	-	-	99,238	22,876	122,114	147,350
<b>Turnover from social housing lettings</b>	<b>7,442,812</b>	<b>10,518,189</b>	<b>7,538,780</b>	<b>1,527,212</b>	<b>27,026,993</b>	<b>27,301,111</b>
<b>Expenditure</b>						
Management	1,660,701	3,723,376	875,409	187,373	6,446,859	6,609,376
Service charge costs	839,763	2,414,521	3,572,874	988,095	7,815,253	7,914,129
Routine maintenance	2,029,145	1,203,135	1,024,951	130,541	4,387,772	3,667,299
Major repairs expenditure	152,555	286,775	93,069	13,354	545,753	497,492
Depreciation of housing properties	1,617,033	1,402,647	632,897	68,815	3,721,392	3,954,146
Property Impairment	-	455,285	-	-	455,285	1,337,289
Additional depreciation on components replaced	349,587	225,329	134,762	2,488	712,166	369,564
Other costs	174	-	148,225	79,564	227,963	119,870
<b>Operating costs on social housing lettings</b>	<b>6,648,958</b>	<b>9,711,068</b>	<b>6,482,187</b>	<b>1,470,230</b>	<b>24,312,443</b>	<b>24,469,165</b>
<b>Operating surplus on social housing lettings</b>	<b>793,854</b>	<b>807,121</b>	<b>1,056,593</b>	<b>56,982</b>	<b>2,714,550</b>	<b>2,831,946</b>
<b>Void losses</b> (being rental income lost as a result of property not being let, although it is available for letting)	<b>(183,725)</b>	<b>(50,006)</b>	<b>(466,531)</b>	<b>(78,871)</b>	<b>(779,133)</b>	<b>(648,595)</b>

## 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 2022 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:

	2022	2021
	£	£
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)	57,758	54,698
Executive Management Team – Excluding employer's NI contributions	313,245	339,943
	371,003	394,641
Total employer's pension contributions in respect of directors	16,425	13,784
Emoluments of highest paid director, the Chief Executive (excluding pension contributions, including benefits in kind)	160,922	149,844
Employer's pension contributions in respect of the Chief Executive	8,844	8,187

The Chief Executive was a member of the Social Housing Pension Scheme. He was an ordinary member of the pension scheme and no enhanced or special terms apply. At the end of March 2022 the Chief Executive retired from his post. The Board appointed an Interim Chief Executive whilst a permanent Chief Executive is recruited to the post.

## 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 2022 continued****3. Key management personnel and employee information (continued)**

## Salaried Board and Committee members

	2022	2021
	£	£
Mr. J Matear (Resigned 2020)	-	5,413
Mrs. M Cameron-Ratchford ( Resigned 2020)	-	2,000
Mrs J Laurent-Smart	4,500	4,500
Mr P Taylor	4,500	4,500
Mr S Iqbal	1,560	1,560
Mr J Upsher	1,500	1,500
Mr A Heron	4,000	4,000
Mrs E Akoji (Resigned 2021)	-	1,250
Mrs R Judt (Resigned 2021)	667	4,000
Mr A Lawrence	6,000	6,000
Ms J Robinson	1,500	1,500
Mr I Watson	1,500	1,500
Ms M Hopcroft	6,000	5,333
Mr B Beaumont (Resigned 2020)	-	5,642
Mr A McCombe	4,000	4,000
Mr Paul Philips	4,000	1,000
Mr Gregory Lomax (Resigned 2022)	14,711	1,000
Mr Elliot Thomas	2,870	-
Mr Stephen Bright	450	-
	57,758	54,698

Employee information

	Number Average	Number Full-time equivalent	Number Average	Number Full-time equivalent
	2022	2022	2021	2021
	No.	No.	No.	No.
Average number of employees:				
Staff engaged in managing or maintaining housing stock	52	47	59	53
Staff providing central administration services	42	41	43	42
Staff providing support & services	221	115	228	122
	315	203	330	217



## 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 2022 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.

	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>
Staffing costs:		
Wages and salaries	7,212,686	7,259,870
Termination & Redundancy Costs	180,611	50,724
Social security costs	650,076	637,250
Other pension costs (see note 23)	819,436	809,523
	<u>8,862,809</u>	<u>8,757,367</u>
Temporary agency staff costs	1,489,803	1,462,151

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:

	<b>2022</b>	<b>2021</b>
	<b><u>No.</u></b>	<b><u>No.</u></b>
£60,001 to £70,000	1	-
£70,001 to £80,000	5	4
£80,001 to £90,000	-	1
£100,001 to £110,000	-	1
£110,001 to £120,000	1	-
£140,001 to £150,000	-	1
£150,001 to £160,000	-	-
£160,001 to £170,000	1	-
	<u>8</u>	<u>7</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

**NOTES TO THE FINANCIAL STATEMENTS – Year ended 31 March 2022 continued****4. Gain / (Loss) on disposal of tangible fixed assets**

<b>Housing Property</b>	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>
Proceeds from disposal of housing property	1,727,215	3,610,309
Costs of sale	(1,061,374)	(6,527,433)
Incidental Selling Costs	(4,224)	-
Gain/(Loss) on disposal of housing property	661,617	(2,917,124)
<b>Property, Plant &amp; Equipment</b>	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>
Proceeds from disposal of PPE	-	-
Costs of sale	-	(456,052)
Loss on disposal of other fixed assets	-	(456,052)
Total gain/(loss) on disposal of fixed assets	661,617	(3,373,176)

**5. Interest receivable**

	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>
Bank deposit interest	757	6,634

**6. Interest and financing costs**

	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>
Interest payable on borrowings	(1,171,339)	(1,263,419)
Net interest cost on DB pension obligations	(86,000)	(43,000)
	(1,257,339)	(1,306,419)

## 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 2022 continued****7. Operating Surplus for the year**

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

	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>
This is stated after charging/(crediting):		
Depreciation – housing properties	3,746,121	3,954,479
Property Impairment	455,285	1,337,290
– additional property depreciation on components replaced / planned demolition	712,166	369,564
Depreciation – property, plant and equipment	164,803	397,164
Auditor's remuneration		
– Audit services for the Association by Grant Thornton (excluding VAT)	44,500	39,000
– Audit services for the Subsidiary by Grant Thornton (excluding VAT)	1,750	-
– Other Services for the Association by Grant Thornton (excluding VAT)	9,250	1,275
– Other Services for the Subsidiary by Grant Thornton (excluding VAT)	5,357	-
– Other Services by Crowe UK LLP (excluding VAT)	1,175	3,955
Management fee and administration charge to KOP	(128,123)	(119,652)
Operating lease rentals      - land and buildings	203,042	291,726
- other	201,244	201,965
Hire charges on rental of equipment (KOP)	940,445	905,089

**8. Investment Property**

	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>
At 1 April	29,050,000	30,000,000
Property revaluation - increase / (decrease) in value	2,950,000	(950,000)
Investment property valuation at year end	32,000,000	29,050,000

Xenia is currently used for student accommodation. The revaluation undertaken by Savills, professional external valuers at 31 March 2022 has resulted in an increase in the property valuation. This valuation has been based on the investment method taking into account the market value subject to tenancies and capitalising net operating income with reference to market sentiment and recent comparable evidence for the student sector.

**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 2022 continued****10. Housing properties**

	Completed housing properties £	Housing properties under construction £	2022 Total £
<b><u>Cost</u></b>			
At 1 April 2021	202,102,501	301,231	202,403,732
Additions during the year	4,856,654	-	4,856,654
Replacements of components	(2,088,368)	-	(2,088,368)
Disposals during the year	(813,310)	(224,093)	(1,037,403)
Transferred during the year	-	-	-
At 31 March 2022	204,057,477	77,138	204,134,620
<b><u>Depreciation</u></b>			
At 1 April 2021	54,903,136	-	54,903,136
Charge for the year	3,746,121	-	3,746,121
Additional depreciation charged on components replaced	712,166	-	712,166
Property impairment	455,285	-	455,285
Disposals during the year	(185,274)	-	(185,274)
Released on components replaced	(2,088,368)	-	(2,088,368)
At 31 March 2022	57,543,066	-	57,543,066
Net book value at 31 March 2022	146,514,411	77,138	146,591,549
Net book value at 31 March 2021	147,199,365	301,231	147,500,596
Housing properties at net book value comprise:		<b>2022</b> £	<b>2021</b> £
Freeholds		81,874,150	82,620,612
Long leaseholds		61,508,281	61,450,146
Short leaseholds		3,209,118	3,429,838
		146,591,549	147,500,596

Additions to properties included £NIL (2021: £nil) at March 2022 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 2022 continued****Works to existing properties:**

	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>
Works to existing properties	5,399,395	2,794,687
Less: Amounts capitalised in housing properties components	(4,853,642)	(2,296,894)
Amounts capitalised for investment property	-	-
Amounts charged to the Statement of Comprehensive Income	545,753	497,793
Social Housing Activity - Note 2B	545,753	497,492
Activities other than Social Housing – Care Services/Student Accommodation	-	301
Amounts charged to the Statement of Comprehensive Income	545,753	497,793

## 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 2022 continued****11. Tangible Fixed Assets – Property, plant and equipment**

	Office Equipment	Office Furniture	Scheme Furniture	Vehicle	2022 Total
	£	£	£	£	£
<u>Cost</u>					
At 1 April 2021	1,643,699	10,627	1,295,824	5,444	2,955,594
Additions during the year	188,907	1,620	152,429	-	342,956
Disposals during the year	(19,995)	(566)	(25,722)	-	(46,282)
At 31 March 2022	1,812,611	11,681	1,422,531	5,444	3,252,267
<u>Depreciation</u>					
At 1 April 2021	1,610,498	7,871	971,256	5,444	2,595,069
Charge for the year	17,818	1,440	145,544	-	164,802
Eliminated on disposals during the year	(19,995)	(566)	(25,721)	-	(46,282)
At 31 March 2022	1,608,321	8,745	1,091,079	5,444	2,713,589
<u>Net book value</u>					
At 31 March 2022	204,290	2,936	331,452	-	538,678
At 31 March 2021	33,201	2,756	324,568	-	360,525

## 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 2022 continued****12. Investments**

	<b>2022</b>	<b>2021</b>
	£	£
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.

	<b>2022</b>	<b>2021</b>
	£	£
<u>Kingsown Property Limited</u>		
Profit for the year before tax	270,104	264,189
Net assets	1,743,044	1,722,606
Revenue reserves	1,543,044	1,522,606

Operating lease payments made to the subsidiary for the year amounted to £940,445 (2021: £905,089). At 31 March 2022 the amount owed by Kingsown to the Association was £17,796 (2021: £18,778); the amount due to Kingsown from the Association was £359 (2021: £3,267). The Association also received a gift aid donation of £200,350 (2021: £214,976) from Kingsown.

## 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 2022 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.

	2022	2021
	£	£
<u>saha Developments Limited</u>		
Profit for the year before tax	389	7,191
Net assets	5,348	4,959
Revenue reserves	5,347	4,958

saha made payments to saha Developments for property works £1,538 (2021: £14,026), saha developments raised invoices to saha at cost plus an agreed mark up of 5%. *At 31 March 2022 the amount owed by saha Developments to the Association was £Nil (2021: £1,168);* the amount due to saha Developments from the Association was £Nil (2021: £1,538). The Association did not receive any gift aid donations in the year from saha Developments (2021: £nil).



## 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 2022 continued****14. Debtors**

Amounts falling due in less than one year:

	<b>2022</b>	<b>2021</b>
	£	£
Rent and service charges receivable	1,432,084	1,131,796
Provision for bad debts	(798,819)	(852,271)
Net rental and service charge debtors	633,265	279,525
Prepayments and accrued income	514,495	495,885
Other debtors	475,823	670,156
Loans due from subsidiary undertakings	-	231,498
Amounts due from subsidiary undertakings	17,796	19,945
Amounts due from parent undertaking	43,323	737,769
	1,684,702	2,434,778

**15. Cash and cash equivalents**

	<b>2022</b>	<b>2021</b>
	£	£
Cash at bank and in hand	8,106,484	11,825,728
Short term deposits	163,333	163,264
	8,269,817	11,988,992

**16. Creditors**

Amounts falling due within one year:

	<b>2022</b>	<b>2021</b>
	£	£
Trade creditors	2,039,708	2,625,688
Prepayment for rent and service charges	954,112	923,889
Deferred income and accruals	3,110,773	2,395,418
Other creditors	3,472	4,574
Housing loans (see note 17)	2,506,805	1,564,991
Amounts due to subsidiary undertakings	359	4,805
Amounts due to parent undertaking	1,366	8,381
Deferred capital grants (see note 18)	2,477,956	2,485,696
	11,094,551	10,013,442

## 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 2022 continued****16. Creditors (continued)**

Amounts falling due after more than one year:

	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>
<u>Housing loans</u>		
Loans repayable between 1 and 2 years by instalments	2,742,272	1,528,305
Loans repayable between 3 and 5 years by instalments	4,062,986	10,939,113
Repayable after five years by instalments and a bullet repayment	13,060,849	14,440,520
	<hr/>	<hr/>
Total housing loans (see note 17)	19,866,107	26,907,938
	<hr/>	<hr/>
<u>Deferred capital grants</u>		
Social housing grants	77,585,611	80,581,671
Other public grants	1,482,496	1,482,496
	<hr/>	<hr/>
Total deferred capital grants (see note 18)	79,068,107	82,064,167
	<hr/>	<hr/>
Recycled capital grant fund (see note 19)	1,147,974	632,500
	<hr/>	<hr/>
Multi-employer pension scheme (see note 23)	28,433	119,788
	<hr/>	<hr/>
	100,110,621	109,724,393
	<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 2022 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 2022 and 2044, and interest charged at varying rates between 0.89% and 11.50% as follows:

	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>
<b><u>Housing loans</u></b>		
Loans at 0.89%	-	83,405
Loans at 1.50%		5,500,000
Loans at 2.22%	1,000,000	-
Loans at 2.25%	-	173,100
Loans at 2.29%	-	-
Loans at 2.35%	157,947	-
Loans at 2.60%	-	3,813,811
Loans at 2.75%	-	1,643,457
Loans at 2.85%	1,537,773	-
Loans at 3.25%	3,602,909	-
Loans at 4.10%	3,824,627	4,048,508
Loans at 4.13%	1,389,655	1,539,655
Loans at 5.20%	3,000,000	3,000,000
Loans at 5.55%	-	-
Loans at 6.31%	7,576,316	8,240,904
Loans at 9.20%	283,685	407,310
Loans at 9.38%	-	1,846
Loans at 9.50%	-	13,827
Loans at 10.50%	-	6,802
Loans at 11.50%	-	304
Total Housing Loans	22,372,912	28,472,929
	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>
<b><u>Housing loans</u></b>		
Housing loans due after more than one year	19,866,107	26,907,938
Housing loans due within one year	2,506,805	1,564,991
Total housing loans	22,372,912	28,472,929

## 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 2022 continued****18. Deferred capital grants****Analysis of deferred capital grants**

	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>
Opening balance at 1 April	84,549,863	92,113,295
Additions in the year	-	-
Reclassification of Assets	-	-
Released to income in the year	(2,494,885)	(2,799,224)
Moved to recycled capital grant fund (see note 19)	(513,858)	-
Moved from recycled capital grant fund (see note 19)	-	-
Released on grant write off	(113,686)	(4,461,026)
Released on disposal of property	118,630	(303,182)
	<hr/>	<hr/>
Closing balance at 31 March	81,546,064	84,549,863
	<hr/>	<hr/>
	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>
Classified as:		
Amounts to be released within one year (note 16)	2,477,956	2,485,696
Amounts to be released in more than one year (note 16) - restated	79,068,108	82,064,167
	<hr/>	<hr/>
Closing balance at 31 March	81,546,064	84,549,863
	<hr/>	<hr/>

The total Social Housing Grant or Financial Assistance received and receivable, both capital and revenue, for the year was £nil (2021: £nil). The cumulative amount of Social Housing Grant or Financial Assistance receivable at 31 March 2022 is £133,346,901 (2021: £133,346,901).

**19. Recycled capital grant fund (RCGF)**

	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>
Opening balance at 1 April	632,500	1,618,155
Inputs to RCGF:		
Additions during the year	513,858	
Interest accrued during the year	1,616	1,517
Recycling of grant:		
Grant Repayment	-	(987,172)
	<hr/>	<hr/>
Closing balance at 31 March	1,147,974	632,500
	<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 2022 continued****20. Called up share capital**

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

	2022 £	2021 £
Allotted, issued and fully paid:		
At 1 April	10	10
Issued during the year	2	3
Cancellations during the year	(1)	(3)
	<hr/>	<hr/>
At 31 March	11	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 2021	124,170	6,137,679	129,013	6,390,862	977,488
Transfer to revenue reserve	(6,441)	-	(3,106)	(9,547)	-
Transfer from revenue reserve	117	-	138	255	2,950,000
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2022	117,846	6,137,679	126,046	6,381,570	3,927,488
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

**Legacy Fund reserve**

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

## 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 2022 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 37 is the accumulation of the surpluses and deficits of the Association since formation. The retained revenue reserves of £64,707,546 (2021: £60,039,747) are maintained to ensure the continued financial strength and viability of the Association on a going concern basis.

**22. Capital commitments**

	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>
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 one scheme.

**NOTES TO THE FINANCIAL STATEMENTS – Year ended 31 March 2022 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 2021 is £4,189k and £2,863k as at 31 March 2022.

We have been notified by the Trustee of the Scheme that it has performed a review of the changes made to the Scheme's benefits over the years and the result is that there is uncertainty surrounding some of these changes. The Trustee has been advised to seek clarification from the Court on these items. This process is ongoing and the matter is unlikely to be resolved before the end of 2024 at the earliest. It is recognised that this could potentially impact the value of Scheme liabilities, but until Court directions are received, it is not possible to calculate the impact of this issue, particularly on an individual employer basis, with any accuracy at this time. No adjustment has been made in these financial statements in respect of this potential issue.

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

	<b>2022</b>	<b>2021</b>
	<b>£000s</b>	<b>£000s</b>
Fair value of plan assets	18,477	17,257
Present value of defined benefit obligation	(21,340)	(21,446)
Deficit in plan	(2,863)	(4,189)
Deferred tax	-	-
Net defined benefit liability to be recognised	(2,863)	(4,189)

**NOTES TO THE FINANCIAL STATEMENTS – Year ended 31 March 2022 continued****23. Pension obligations (continued)**

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

	2022	2021
	£000s	£000s
Defined benefit obligation at start of period	21,446	17,614
Expenses	13	13
Interest expense	460	414
Actuarial losses/(gains) due to scheme experience	1,833	(386)
Actuarial (gains)/losses due to changes in demographic assumptions	(340)	77
Actuarial (gains)/losses due to changes in financial assumptions	(1,600)	4,139
Benefits paid and expenses	(472)	(425)
Defined benefit obligation	21,340	21,446

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

	2022	2021
	£000s	£000s
Fair value of plan assets at start of period	17,257	15,592
Interest income	374	371
Experience on plan assets (excluding amounts included in interest income) – gain	837	1,247
Contributions by the employer	481	472
Benefits paid and expenses	(472)	(425)
Fair value of plan assets at end of period	18,477	17,257

The actual return on the plan assets (including any changes in share of assets) over the period ended 31 March 2022 was £1,211,000 (2021: £1,618,000).



**NOTES TO THE FINANCIAL STATEMENTS – Year ended 31 March 2022 continued****23. Pension obligations (continued)**

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

	<b>2022</b>	<b>2021</b>
	<b>£000s</b>	<b>£000s</b>
Expenses	13	13
Net interest expense	86	43
	<hr/>	<hr/>
Defined Benefit cost recognised in the Statement of Comprehensive Income (SOCl)	99	56
	<hr/>	<hr/>

Defined benefit costs recognised in other comprehensive income

	<b>2022</b>	<b>2021</b>
	<b>£000s</b>	<b>£000s</b>
Experience on plan assets (excluding amounts included in net interest cost) – gain/ (loss)	837	1,247
Experience gains and (losses) arising on the plan liabilities	(1,833)	386
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation – gain/(loss)	340	(77)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation – gain/(loss)	1,600	(4,139)
	<hr/>	<hr/>
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) – gain/(loss)	944	(2,583)
	<hr/>	<hr/>
Total amount recognised in other comprehensive income – gain/(loss)	944	(2,583)
	<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 2022 continued****23. Pension obligations (continued)****Assets**

	<b>2022</b>	<b>2021</b>
	<b>£000s</b>	<b>£000s</b>
Global Equity	3,546	2,750
Absolute Return	741	952
Distressed Opportunities	661	498
Credit Relative Value	614	543
Alternative Risk Premia	609	650
Fund of Hedge Funds	-	2
Emerging Markets Debt	538	697
Risk Sharing	608	628
Insurance-Linked Securities	431	414
Property	499	358
Infrastructure	1,316	1,151
Private Debt	474	412
Opportunistic Liquid Credit	621	439
High Yield	159	517
Opportunistic Credit	66	473
Cash	63	-
Corporate Bond Fund	1,233	1,020
Liquid Credit	-	206
Long Lease Property	475	338
Secured Income	688	718
Liability Driven Investment	5,156	4,386
Currency Hedging	(72)	-
Net Current Assets	51	105
Total assets	18,477	17,257

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**

	<b>2022</b>	<b>2021</b>
	<b>% per annum</b>	<b>% per annum</b>
Discount Rate	2.79%	2.17%
Inflation (RPI)	3.59%	3.28%
Inflation (CPI)	3.20%	2.86%
Salary Growth	4.20%	3.86%
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance

**NOTES TO THE FINANCIAL STATEMENTS – Year ended 31 March 2022 continued****23. Pension obligations (continued)**

The mortality assumptions adopted at 31 March 2022 imply the following life expectancies:

	Life expectancy at age 65 (Years)
Male retiring in 2022	21.1
Female retiring in 2022	23.7
Male retiring in 2042	22.4
Female retiring in 2042	25.2

**Employer pension contributions**

	2022	2021
	£	£
Defined benefit employer contributions including deficit contributions	481,349	472,175
Growth Plan deficit contributions	30,313	29,430
Auto-enrolment & SHPS Defined contribution including deficit contribution	307,774	307,918
	<u>819,436</u>	<u>809,523</u>

The defined benefit pension costs for Salvation Army Housing Association was £481,349 (2021: £472,175). The pension cost is assessed in accordance with the advice of a qualified actuary using the Projected Unit Fund Method and is not materially different from that arising from the current employer's contribution rate.

**The Growth Plan**

The company participates in the scheme, a multi-employer scheme which provides benefits to some 638 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

**NOTES TO THE FINANCIAL STATEMENTS – Year ended 31 March 2022 continued****23. Pension obligations (continued)**

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 2020. This valuation showed assets of £800.3m, liabilities of £831.9m and a deficit of £31.6m. 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 2022 to 31 January 2025:	£3,312,000 per annum - payable monthly
--	--

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 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 30 September 2025:	£11,243,000 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.

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 2022 (£000s)	31 March 2021 (£000s)	31 March 2019 (£000s)
Present value of provision	28	120	142

## 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 2022 continued****23. Pension obligations (continued)****Reconciliation of opening and closing creditor**

	Period Ending 31 March 2022 (£000s)	Period Ending 31 March 2021 (£000s)
Provision at start of period	120	142
Unwinding of the discount factor (interest expense)	1	3
Deficit contribution paid	(31)	(29)
Remeasurements - impact of any change in assumptions	(1)	4
Remeasurements - amendments to the contribution schedule	(61)	-
<b>Provision at end of period</b>	<b>28</b>	<b>120</b>

**Income and expenditure impact**

	Period Ending 31 March 2022 (£000s)	Period Ending 31 March 2021 (£000s)
Interest expense	1	3
Remeasurements – impact of any change in assumptions	(1)	(4)
Remeasurements – amendments to the contribution schedule	(61)	-

**Assumptions**

	31 March 2022 % per annum	31 March 2021 % per annum	31 March 2019 % per annum
Rate of discount	2.35	0.66	2.53

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.

**NOTES TO THE FINANCIAL STATEMENTS – Year ended 31 March 2022 continued****23. Pension obligations (continued)**

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

Year ending	31 March 2022 (£000s)	31 March 2021 (£000s)	31 March 2019 (£000s)
Year 1	10	30	29
Year 2	10	31	30
Year 3	9	32	31
Year 4		28	32
Year 5		-	28
Year 6		-	-
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 (2022: £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 £288,259 (2021: £288,644) covering 298 employees (2021: 302 employees).

## 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 2022 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:

	2022	2021
	£	£
<u>Land and Buildings – Leases expiring</u>		
Not later than one year	260,154	234,814
Later than one year and not later than five years	654,322	136,920
Later than five years	141,665	49,712
	<hr/>	<hr/>
	1,056,141	421,446
	<hr/>	<hr/>
<u>Other operating leases – Leases expiring</u>		
Not later than one year	192,649	195,370
Later than one year and not later than five years	590,586	603,728
Later than five years	11,103	145,194
	<hr/>	<hr/>
	794,338	944,292
	<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 2022 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 2022 was:

	Number of Units in development		Number of Units in management	
	2022	2021	2022	2021
	No.	No.	No.	No.
<b>Housing accommodation for letting:</b>				
<b>General Needs:</b>				
Owned and managed	-	-	915	921
<b>Affordable:</b>				
Owned and managed	-	-	359	359
<b>Supported Housing and Housing for Older People:</b>				
Owned and managed	-	-	647	647
Owned but not managed	-	-	1,539	1,559
Managed but not owned	-	-	10	10
<b>Other – Foyer Accommodation:</b>				
Owned and managed	-	-	112	112
<b>Registered care bed spaces:</b>				
Owned and managed	-	-	-	-
Owned but not managed	-	-	52	52
<b>Student Accommodation:</b>				
Owned and managed	-	-	159	159
<b>Total owned and/or managed</b>	<b>-</b>	<b>-</b>	<b>3,793</b>	<b>3,819</b>
<b>Housing stock summary:</b>				
	Number of Units in development		Number of Units in management	
	2022	2021	2022	2021
	No.	No.	No.	No.
Owned and managed	-	-	2,192	2,198
Owned but not managed	-	-	1,591	1,611
Managed but not owned	-	-	10	10
<b>Total owned and managed</b>	<b>-</b>	<b>-</b>	<b>3,793</b>	<b>3,819</b>



**NOTES TO THE FINANCIAL STATEMENTS – Year ended 31 March 2022 continued****26. Contingent liabilities**

As at 31 March 2022 there were no material contingent liabilities (2021: £nil).

**27. 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	£120,838
Interest payments	£47,494

The total outstanding balance of the loan at 31 March 2022 was £1,695,720 (2021: £1,816,557). 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 £359,453 (2021: £351,345) 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.

**28. 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.

## 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 2022 continued****29. Post balance sheet events**

None.

**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.

Board Members		
Paul Phillips	Independent Interim Chair, Independent	Appointed December 2020 Appointed 1 April 2022
Stephen Bright	The Salvation Army Nominee	Appointed 17 February 2022
Alistair Heron	Independent	Appointed March 2017
Maureen Hopcroft	Independent, People and OD Committee Chair	Appointed June 2019
Ruby Judt	The Salvation Army Nominee	Resigned 31 May 2021
Jennifer Laurent-Smart	The Salvation Army Nominee	Appointed May 2014
Andrew Lawrence	Independent, Audit and Risk Committee Chair	Appointed May 2019
Gregory Lomax	Chair, Independent	Resigned 31 March 2022
Lieut-Colonel Drew McCombe	The Salvation Army Nominee	Appointed January 2021
Peter Taylor	Independent	Appointed December 2015
Elliot Thomas	The Salvation Army Nominee	Appointed 22 July 2021
Nigel Hills	Chief Executive	Retired 31 March 2022

## 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

**LEGAL AND ADMINISTRATIVE DETAILS (continued)**

Executive Management Team Members		
Lynne Shea	Executive Director of Corporate Services	Appointed January 2022
	Interim Chief Executive	Appointed April 2022
Sean Hughes	Executive Director of Operations	Appointed May 2021
Nigel Hills	Chief Executive	Retired March 2022
Suzanne Forster	Strategic Consultant	Resigned February 2022

**BANKERS**

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Social Housing Team  
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**TAXATION ADVISERS**

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**CORPORATE SOLICITORS**

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**EMPLOYMENT SOLICITORS**

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30 Finsbury Circus  
London  
EC2M 7DT

## 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

**LEGAL AND ADMINISTRATIVE DETAILS (continued)****COMPANY SECRETARY**

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