saha
Transforming Lives

SALVATION ARMY HOUSING ASSOCIATION

REPORT & FINANCIAL STATEMENTS

For the year ended 31 March 2023

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Foreword by Lynne Shea, Chief Executive Officer

2022-23 was a busy year for Saha. Our new chair, Stephen Stringer, was appointed in September 2022, and a new Operations Committee was formed in August 2022. Two residents were appointed and two housing specialists became independent members.

In May 2023 the Regulator of Social Housing regraded Saha to G2 V2 following the successful delivery of the Governance Improvement Plan and the Voluntary Undertaking. This was very much a joint effort with our parent, The Salvation Army who we continue to work closely with.

Financial performance in 2022-23 was good with an operating surplus of £3.9m. Cash balances remained strong at £5.2m. However, rent loss from empty properties and arrears performance did not meet the targets so there is still much work to do in 2023-24.

2022-23 saw intense scrutiny of the housing sector following the circumstances of the tragic death of two year old Awaab Ishak in Rochdale. Saha has a comprehensive action plan to eradicate damp and mould in our homes. Rising inflation and fuel poverty also continue to impact both residents and colleagues. A new welfare advice team has been created to help support residents, and a pay and grading review was undertaken during the summer to ensure Saha became a median pay employer.

Significant investment was made to install resident Wi-Fi in all our supported schemes and over £3m was invested in our planned investment programme for existing homes.

New mechanical and engineering contracts were procured and will be in place in June 2023. This will significantly improve the repairs service being experienced by residents.

Looking further ahead there remains a robust financial plan in place, despite the risks associated with long term leases in a current short term commissioning environment.

There is an ambitious corporate delivery plan in place for 2023-24 with stretch targets to achieve. I am confident we can improve performance with The Leadership Team that we have in place. We want to continue to grow and expand as a national supported housing provider, working with The Salvation Army to transform residents' lives.

I was really pleased to be appointed as permanent Chief Executive in May 2023 and look forward to working with the Board to shape our new Corporate Strategy for the next five years.

Welcome from the Chair, Stephen Stringer

I am pleased to be able to introduce Saha's financial statements for 2022-23 and the first since I became Chair in September 2022. I am very proud to have been appointed as Chair of such an important and caring organisation.

The financial results for the year represent a good performance during another volatile financial period. As these accounts show, our core business remains strong and financially robust with a business plan that demonstrates long term financial viability. The financial review can be found in the Report of the Board commencing on page 16.

I would like to thank Paul Phillips for stepping up as Interim Chair in April 2022. He was instrumental in helping Saha deliver the Governance Improvement plan and move us to a compliant regulatory position of G2 V2 as at 31 May 2023. This is a big step forward for Saha and I want to thank all those who worked to improve our governance and internal assurance processes to achieve this goal.

I am also delighted that the recruitment of our permanent Chief Executive, Lynne Shea, was completed in May 2023.

The Operations Committee was formed in August 2022. Resident members David Dashwood and Lisa Roberts were appointed alongside independent members Bernadette Fry and Chris Pegge. Robert East was appointed to the Board and became the chair of the Operations Committee in June 2023. Raj Bamber joined the People and Organisational development committee and Board in August 2022.

A key priority in recruiting to Board and committees was to enhance the knowledge and expertise in housing management and delivering services to the vulnerable.

The changes which have been made have gone further than simply improving governance and have strengthened our relationship with stakeholders, other providers and particularly our Parent, We share the same Christian led ethos of The Salvation Army and will continue to house those in housing need and work to transform the lives of those we care for and support. 'Together we are Better' by working with The Salvation Army, who provide Saha with a secure foundation for the future.

Over the next financial year, the Board will work with the Chief Executive to review and revise our medium term corporate strategy. We remain committed to our core values and purpose. We will continue to provide appropriate support and help to all our residents during these difficult and challenging social and economic times. We aim to look forward to find ways to enhance our business, expand our services and deliver an excellent service to our residents.

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 – We help people thrive
We set high benchmarks with an encouraging and supportive leadership style.

Passion – We love our work
We invest in the lives of residents and fight to do better for them.

Inclusion – This is a team effort
We provide an environment where everyone has a sense of belonging and feels respected and valued.

Respect – We show respect for all
We create a place where residents, colleagues and partners are all encouraged to contribute.

Effectiveness – We find a way
We deliver meaningful change and are committed to achieving our objectives.

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 (1,497 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 (1,275 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 (291 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 (507 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.

External contracts

We manage 707 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 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 2023-24 Corporate Delivery Annual Plan, highlighting measurable, time-bound delivery objectives, senior delivery ownership and targeted outcomes.

Strategic Focus 2023-24

Saha's strategic focus during 2023-24 aims to ensure emerging priorities and objectives are delivered. The key deliverables identified in the 2023-24 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.

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 2022-23, is set out below.

Performance indicators

Our People					
Performance Indicator	**Year End 2020-21**	**Year End 2021-22**	**Year End 2022-23**	**Target 2022-23**	**Movement – current year v last year**
Average number of days sickness per person	11.34 days	8.62 Days	8.87 days	8.00 days	
Employee turnover (total)	24.09%	35.52%	22.99%	20.00%	

Our Places					
Performance Indicator	**Year End 2020-21**	**Year End 2021-22**	**Year End 2022-23**	**Target 2022-23**	**Movement – current year v last year**
Repairs completed in target (Contractors)	94.82%	92.28%	90.59%	96.00%	
Resident satisfaction with repair completed in the last 12 months	n-a	70%	75%	75.00%	
Average energy efficiency rating	70.50	70.93	70.89	71.00	

Our Practices					
Performance Indicator	**Year End 2020-21**	**Year End 2021-22**	**Year End 2022-23**	**Target 2022-23**	**Movement – current year v last year**
Total Current Arrears (Gross) (All Housing Services)	4.44%	4.78%	6.59%	5.00%	
Total Void % of Stock (All Housing Services)	4.80%	3.10%	3.73%	2.00%	
Total Void Rent Loss (All Housing Services)	4.22%	4.90%	5.91%	2.00%	
Average Void Turnaround (All Housing Services)	33.17 days	40.86 days	92.39 days	21 days	

Our Pounds					
Performance Indicator	**Year End 2020-21**	**Year End 2021-22**	**Year End 2022-23**	**Target 2022-23**	**Movement – current year v last year**
Rent Written Off	2.63%	1.22%	1.50%	1.00%	
Operating Margin	22.8%	13.4%	10.5%	16.5%	
Return on assets (surplus / fixed asset)	1.58%	3.72%	2.1%	2.9%	
Interest cover covenant	4.31	2.02	1.89	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

Operational Performance Overview (continued)

Average number of sick days

The metric has worsened when compared to the prior year outcome and remains above our annual target of 8 days. Long-term sickness absences continue to influence the outcome for the year.

Employee turnover

The metric has improved when compared to the prior year outcome but remains above our target of 20% for the year. During the year, further restructuring of several departments contributed towards overall staff turnover, with 4% attributable to an involuntary staff turnover. Excluding the impact of the restructures, staff turnover would have been below the annual target. Saha continues to experience high rates of resignation, with exit interviews indicating that colleagues seek to explore new career and lifestyle opportunities.

Repairs and void properties

Contractor performance has impacted on the Association's satisfaction and key performance indicators. Following a retendering of the service, a new contractor was appointed to deliver Repairs and Maintenance services. The Association has strengthened its repairs, maintenance and compliance teams through the introduction of several senior posts with the aim to effectively monitor the delivery of contractor performance. With that, 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.

Arrears and bad debts

Following a restructure of the housing services team, arrears performance experienced a dip in expected collection rates. In addition, the cost of living crisis has created challenges for many of our residents throughout the year. To support residents, the Association has strengthened its income collection team with the appointment of three specialists. The team will support residents by signposting towards accessible financial support whilst assisting residents to manage rent arrears.

Operating margin and return on assets

Operating margins and return on assets have both been significantly affected by the challenging economic climate. The three main pressure points throughout the year have come from energy, repairs and staffing costs.

The rising cost of energy prices has had a significant impact on the Association's underlying surplus as energy contracts expired at the same time as wholesale price increases were being experienced in the energy market. Due to the timing and nature of the Association's service charge framework, the increases were not eligible to be passed on and therefore were borne by the Association. The rising cost of materials; accompanied by an increased demand in the service, has contributed towards a higher than usual cost of delivering the repairs and maintenance service to residents.

During the year, the Association carried out a full appraisal of the existing salary and benefits offer to employees. This was partly driven by the cost of living crisis, but was fundamental towards ensuring Saha remains an employer of choice. Following the independent benchmarking review, Saha became a median pay employer and increased the number of benefits available.

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 2022.* 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.

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:

- The impact from external economic factors – rising inflation, Government rent caps, fuel shortages, utility prices and interest rates rising.
- Health and safety risks, including failure to meet statutory landlord compliance and meet the requirements of the Building Safety Act 2022.
- Difficulties in recruiting and retaining employees impacting on our ability to deliver key services and objectives.
- Good quality services are not delivered to residents in line with Consumer Standards and failing to recognise challenges in effective management of a geographically dispersed stock.
- Key Performance Measures do not operate within annual targets.
- 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. The potential risk of failure to anticipate and consider alternative viable uses for our supported housing assets before the end of their current contracts.
- Failure to hold good quality data and have adequate protection around cyber security.
- Failure to retain current Governance and Financial Viability Regulatory grades.
- Failure to meet lender covenant compliance
- Failure to maintain good quality social housing stock and failing to improve energy efficiency.
- Managing the risk of fraud.
- Business and reputational risk related to managing and maintaining good strategic and operational working relationships with our Parent, Managing Agents and other third parties.

Statement on internal control

The Board acknowledges its responsibility and accountability for the Association's system of internal control, and for reviewing its effectiveness. The 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 continued use of an online risk management portal has significantly enhanced the efficiency, transparency and dynamism of risk management across the business.

Saha has Board-approved Fraud, Bribery & Anti-Money Laundering Policies in place, which cover employee responsibilities in respect of fraud and the necessary actions to be taken. The Fraud, 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 Beever and Struthers as 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. The Audit and Risk Committee met with both the internal and external auditors without the presence of employed personnel as part of its assurance framework.

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 2023 states that in the opinion of the Internal auditor, the Board can be provided with a reasonable level of assurance that there is an effective framework of governance, risk management and controls at Saha.

Governance Report

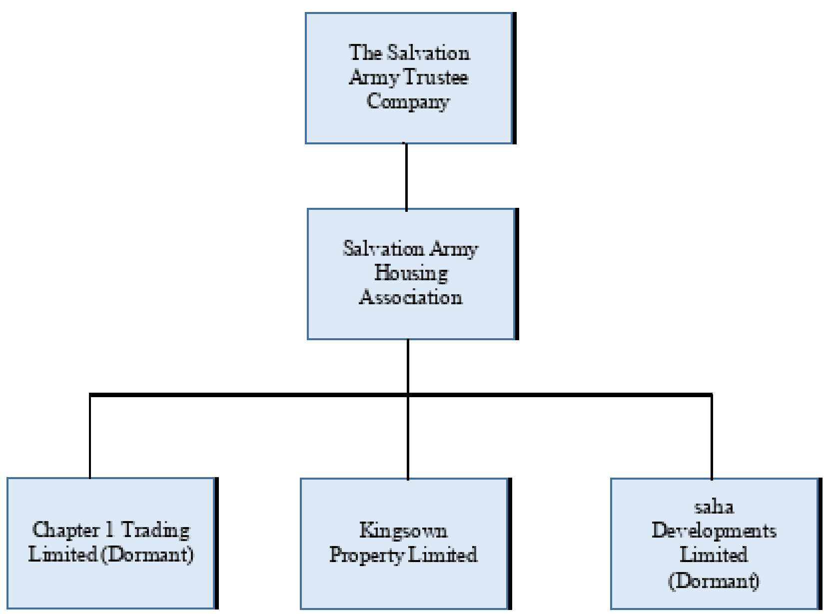
Governance Structure

As a registered provider of social housing, Saha is governed by its Board which is committed to achieving the highest standards of corporate governance. Following the Regulator of Social Housing's confirmation in May 2023, Saha has attained a G2 grading for Governance and a V2 grading for Financial Viability.

Saha has adopted the National Housing Federation's (NHF) Code of Governance (2020 Edition) and the NHF Code of Conduct 2022. An assessment of its compliance with both codes is conducted annually.

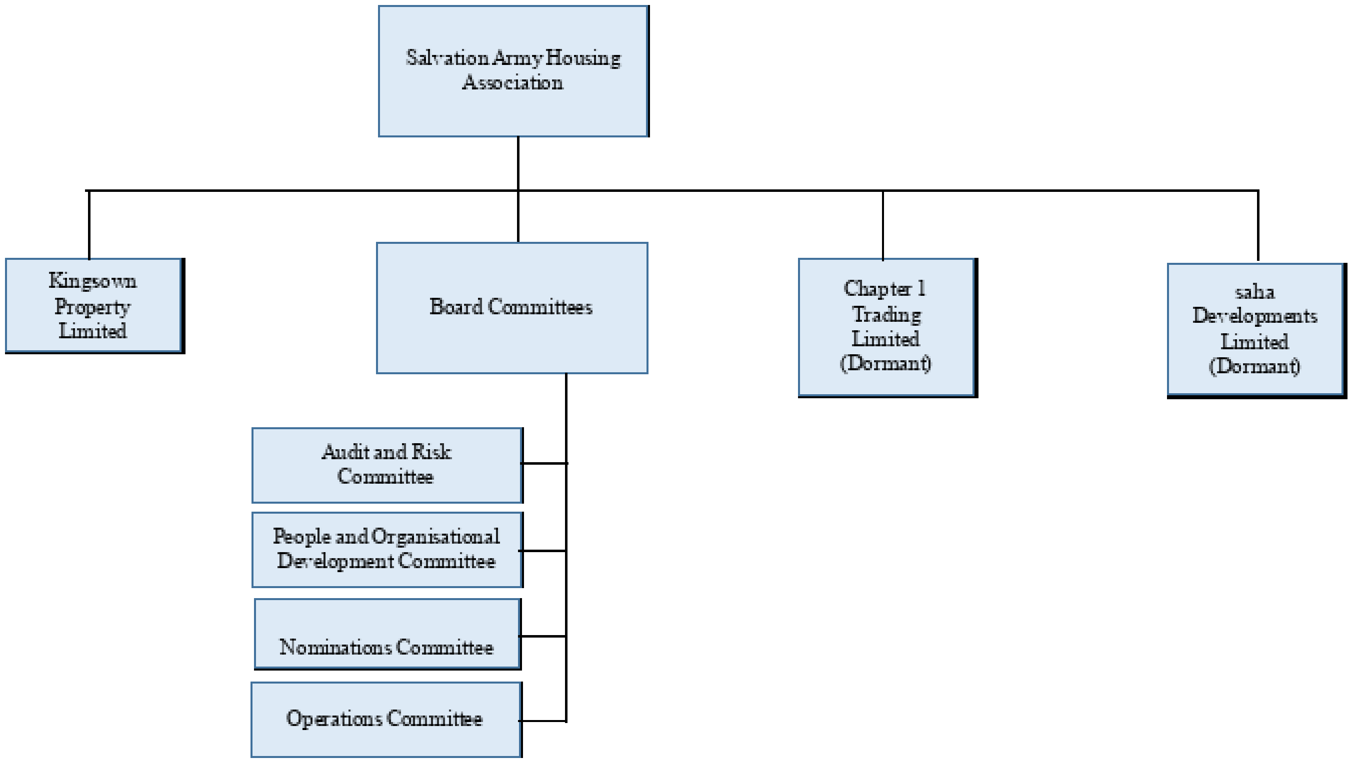
Saha is a Registered Provider of Social Housing and the parent company of Chapter 1 Trading Limited (dormant), Saha Developments Limited (dormant) and Kingsown Property Limited. Saha was formed in 1959 by The Salvation Army and therefore the ultimate parent undertaking is The Salvation Army Trustee Company.

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 all Subsidiary Boards as well as Board Committees. Oversight of performance and some decision-making is delegated to the Subsidiary Boards and Committees, allowing Board to focus on key areas of Strategic Importance.

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.

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 2022, 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 2023, the Board comprised 10 members in accordance with the Association's agreed governance. The Board composition is kept under review to ensure that the skills, knowledge and experience of its members are, or will be, suitable to meet the current and longer term needs of the business and its strategic plans. Board members are drawn from a wide background bringing together professional, commercial and customer experience.

The Role of the Board

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

Key Areas of Focus during the Year

Governance Improvement Plan

During the year Saha has been engaging with the Regulator of Social Housing to demonstrate its commitment to attaining and demonstrating the highest standards of governance. In order to address the concerns which had been raised by the Regulator and resulted in a governance downgrade in May 2021, Saha developed and fully delivered a governance improvement plan. This resulted in Saha's governance grading being upgraded to a compliant G2 grading on 31 May 2023.

Saha's Board have now approved a further governance improvement plan which will be delivered during 2023-2024 with an aim of ultimately returning to a G1 governance grade.

Governance Structure (continued)

Board Appraisal and Development

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

In September 2022, Stephen Stringer was appointed as the Chair of the Saha Group Board. Two new Board members were appointed during the year; strengthening the Board in the areas of strategic housing management and strategic human resources. These appointments were in line with Saha's succession planning and filled vacancies created by the retirement of two existing members.

Management System

The Board provides strategic direction and oversight of Saha to achieve its mission. The Board structure currently includes five 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.

REPORT OF THE BOARD

The Board presents its report together with the audited financial statements for the year ended 31 March 2023.

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 Societies 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 Societies 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 (2022). 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 is 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.

REPORT OF THE BOARD (continued)

Performance in the year

Financial Review

Financial performance for the year was significantly impacted by both National and Global economic and political events, leading to a worse financial performance, when compared to financial year 2022. However, despite continued economic pressures, 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.

Despite these pressures, Saha's results demonstrate a robust performance for the year; with a surplus for the year of £3.9m (2022: £6.7m). 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:

	2023	2022
	£000's	£000's
Turnover	**33,595**	32,196
Operating costs	**(30,071)**	(27,887)
Profit/(Loss) on disposal of tangible fixed assets	**-**	662
Net interest payable	**(1,162)**	(1,256)
Revaluation gain/(loss) on investment property	**1,500**	2,950
Surplus for the year	**3,862**	6,665
Actuarial (losses) / gains in respect of pension scheme	**(501)**	944
Total comprehensive income for the year	**3,361**	7,609

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

	2023	2022
	£000's	£000's
Total fixed assets	**180,464**	179,130
Net current liabilities	**(4,194)**	(1,140)
Loans and other long term creditors	**(95,034)**	(100,111)
Pension provision – liability	**(2,851)**	(2,863)
Reserves	**78,385**	75,016

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 £19.7m (2022: £22.4m). 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 75%.

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

	2023	2022
	£000's	£000's
< 1 year	**2,516**	2,507
1 - 2 years	**1,276**	2,742
3 - 5 years	**3,961**	4,063
> 5 years	**11,984**	13,061
	19,737	22,373

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.

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 £3.1m during the year (2022: decrease £3.7m). Cash generated through Operating activities remained strong at £4.9m (2022: £8.3m) with no new loan funding required during the year.

Net cash outflow through investing activities was £4.1m for the year (2022: outflow £4.7m). Proceeds on disposal of housing properties generated £nil (2022: £1.7m) whilst grants repaid during the year also totalled £nil (2022: 1.7m). A total of £4.2m was spent on works to existing properties (2022: £4.7m) with interest received on cash balances totalling £0.1m (2022: £nil).

Cash outflow in respect of financing activities was £3.9m (2022: £7.4m), this included £1.2m of interest payments (2022: £1.3m) and £2.6m in loan repayments (2022: £6.1m).

Current liquidity

Cash and bank balances at the year-end were £5.2m (2022: £8.3m). Net current liabilities were (£4.2m) whilst 2022 reported a net current liability of £1.1m.

Going concern

The Board has considered the implications of the ongoing economic environment 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. Further information on the assessment of going concern is set out on page 42.

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.

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. The Board is pleased to confirm, during May 2023, the Regulator of Social Housing has determined Saha's Governance and Financial viability grading as G2/V2.

Housing properties

At 31 March 2023, Saha owned and / or managed 3,781 units (2022: 3,793 units)

Housing properties are recognised in the Statement of Financial Position at Historical Cost. At 31 March 2023 the carrying value of housing properties is £145,791,962 (2022: £146,591,549).

There were no scheme impairments during the year (2022: £0.5m).

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

REPORT OF THE BOARD (continued)

Rent policy

Saha sets rents in accordance with The Regulatory Framework for Social Housing.

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 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.

REPORT OF THE BOARD (continued)

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

Following a competitive procurement process, the Association has appointed Crowe LLP as its auditor for the 2023-24 financial year.

The Board would like to thank the outgoing auditor, Grant Thornton, for the services delivered throughout its period of engagement.

BY ORDER OF THE BOARD 14 August 2023

Stephen Stringer

Chairman
Stephen Stringer

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 outcomes 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 Services 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 154 residents with an aim of improving their social network and relationships. We successfully supported 147 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%.

Value for Money (*continued*)

Emotional and mental health

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

Measure	**Target 2024**	**Target 2023**	**Actual 2023**	**Actual 2022**
Improved mental wellbeing	75%	75%	79%	80%
Improved physical wellbeing	75%	75%	90%	95%
Better managed self-harm	75%	75%	64%	81%
Better managed substance abuse	65%	65%	54%	58%

During the year a series of positive outcomes were delivered with mixed results against targets.

Better managed self-harm and Better managed substance abuse - we were not able to achieve our target of supporting engaged residents to better manage either self-harm or substance abuse. The recruitment of 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.

Measure	**Target 2024**	**Target 2023**	**Actual 2023**	**Actual 2022**
Gained employment	50%	50%	51%	34%
Participated in education and training	75%	75%	78%	75%
Number of residents gaining a qualification	150	150	200	238

Value for Money (*continued*)

Meaningful use of time (continued)

Saha continues to partner 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. We are delighted to have achieved all three of our meaningful use of time indicators, which has contributed towards positive outcomes for our residents who engaged in learning and development.

Throughout the year, 227 residents participated in various AQA Units. 203 current and former residents have fully completed the learning course in their chosen subject with 111 (55%) of those completing a course having been accredited. In addition to this, 118 residents have gained a qualification or certificated recognition via third party sources such as college and workplace training.

We will continue to support residents aiming to complete AQA courses; with some residents working towards becoming Support workers, whilst others aim to develop other skills leading to positive outcomes such as financial inclusion and independence.

Managing tenancy and accommodation

This theme measures the percentage of residents who move-on into independent living following a period of occupancy within a 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.

Measure	**Target 2024**	**Target 2023**	**Actual 2023**	**Actual 2022**
Moved out in a planned way	80%	80%	75%	75%
Maximised income	95%	90%	95%	95%
Reduced overall debt	75%	75%	76%	69%
Tenancy sustainment	70%	70%	n/a	75%

Saha's success in supporting residents to maintain a successful tenancy can be evidenced through the maximising income and reducing overall debt metrics.

Value for Money (*continued*)

Investment in existing housing accommodation

In total, £3.2m was spent during the year (2022: £4.9m) on the replacement of housing property components. This included £1.25m on improving energy efficiency.

2022/23 represented year two of Saha's five-year asset management strategy. The strategy enables Saha to forward plan spend, creating efficiencies through procurement and project management of large scale replacement programmes. 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. Between the 2023-24 and 2026-27 financial years, Saha anticipates investing around £20m 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.

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 2022 Global Accounts of Registered Providers and the 2022 Sector Scorecard. Saha's peer group contains 16 Registered Providers of similar size and stock demographic.

Business health

	Target 2024	Target 2023	Actual 2023	Actual 2022	Actual 2021	Actual 2020	Peer group Median
Operating margin – overall	14.7%	15.8%	10.5%	13.4%	22.8%	7.9%	5.8%
Operating margin – SHL	10.1%	13.4%	5.2%	10.1%	10.4%	4.4%	10.0%
EBITDA MRI interest cover	273.5%	335.7%	205.8%	126.9%	617.0%	243.3%	160.5%

Operating margin – overall – the 2022 Median across the peer group was 5.8%, with margins ranging between 0% and 24%. Saha's margin for 2022 was 13.4% which placed it in sixth position within the peer group. When comparing the 2023 operating margin to the 2023 target, the margin came in below target as the Association experienced high voids, repairs, utility and staffing costs throughout the year.

Operating margin – social housing lettings – the 2022 Median across the peer group was 10.0%, with margins between 0% and 31%. Saha's margin for 2022 was 10.1% which placed Saha in eighth position when compared to the overall peer group. When comparing the 2023 margin to the 2023 target, performance was below budgeted expectations. The factors affecting this are detailed in the Operating margin – overall assessment above.

EBITDA MRI interest cover – the 2022 Median across the peer group was 160.5%, ranging between 0% and 32,427%. Saha's EBITDA MRI for 2022 was 126.9%, which placed it in ninth position when compared to the overall peer group. When comparing the 2023 EBITDA MRI to the 2023 target, performance was below budgeted expectation. The key influence on the metric is the reduction in operating surplus, the additional cost pressures placed upon the Association has been highlighted in the Operating margin – overall assessment above. Net interest payable performed better than target as cash balances attracted a higher interest receipt than expected, interest payable was broadly in line with expectations.

Value for Money (*continued*)

Capacity and supply

	Target 2024	Target 2023	Actual 2023	Actual 2022	Actual 2021	Actual 2020	Peer group Median
New supply delivered – Social housing units	0.2%	0.0%	0.0%	0.0%	0.0%	0.4%	1.31%
New supply delivered – non-social housing units	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%
Gearing	9.8%	9.5%	10.0%	9.6%	11.2%	14.2%	9.70%

New supply delivered – 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. However Saha did have some recycled capital grant so looked to acquire some street properties. As a result there is a target of 15 units to be delivered in 23-24.

Gearing – the 2022 Median was 9.7%, ranging between 0% and 63%. Saha's Gearing for 2022 was 9.6% placing it within the lowest seven Geared organisations in the peer group. When comparing Gearing for 2023 against the target, Gearing has performed marginally worse than expected. During the year, Saha's cash balances reduced below those forecast when setting the target for 2023, the effects of lower cash has reduced the underlying measure when compared to target. No new loans were taken during the year, however the Association made repayments to the Revolving Credit Facility and redeemed one small loan balance which attracted a high rate of interest.

Outcomes delivered

	Target 2024	Target 2023	Actual 2023	Actual 2022	Actual 2021	Actual 2020	Peer group Median
Reinvestment	1.8%	1.5%	2.2%	3.3%	1.6%	2.3%	5.44%

Reinvestment – the 2022 Median was 5.4%, which ranged between 0% and 12% for the peer group. Saha's reinvestment measure for 2022 was 3.3%, positioning Saha in twelfth 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 performance for the year, reinvestment has performed better than target.

Value for Money (*continued*)

Effective asset management

	Target 2024	Target 2023	Actual 2023	Actual 2022	Actual 2021	Actual 2020	Peer group Median
Return on Capital Employed	3.0%	2.9%	2.0%	2.8%	2.8%	1.4%	2.6%
Ratio of responsive repairs to planned maintenance (Sector Scorecard)	0.8	1.6	1.4	0.8	1.3	1.7	0.70

Return on Capital Employed – the 2022 Median was 2.6%, which ranged between 0% and 22% for the peer group, positioning Saha in eighth 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 has fallen slightly below target, this is predominantly influenced by the additional operating expenditure incurred during the year as discussed earlier.

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 ratio is regarded as more favourable.

The 2022 Median was 0.7. Saha's ratio is reported at 0.8 for the 2022 year, which positions Saha in tenth place when compared to the peer group. When comparing the 2023 actual against the 2023 target, the actual has performed better than target. The Association has experienced an increase in both the demand and cost of delivering responsive repairs and therefore the increase in 2023 when compared to 2022 is not unexpected.

	Target 2024	Target 2023	Actual 2023	Actual 2022	Actual 2021	Actual 2020	Peer group Median
Headline social housing cost	£8,657	£7,236	£7,795	£7,414	£6,624	£6,651	£8,354
Management cost	£2,214	£1,948	£1,946	£1,774	£1,806	£1,838	£1,644
Service charge cost	£2,875	£2,258	£2,846	£2,151	£2,162	£2,185	£1,504
Maintenance	£1,471	£1,155	£1,237	£1,207	£1,002	£1,082	£1,445
Major repairs	£1,256	£1,101	£880	£1,486	£763	£964	£945
Other social housing	£841	£774	£885	£796	£891	£496	£2,421
Overheads as a % of Turnover (Sector Scorecard)	14.4	16.3	14.1	21.6	18.6	22.5	14.9

Saha's 2022 headline social housing cost per unit of £7,414 is below the 2022 Median for the peer group of £8,354.

When comparing Saha's 2022 result against the peer group, Saha was the fifth lowest cost Provider in its peer group.

Value for Money (*continued*)

Management cost per unit has increased 10% from £1,774 at the end of 2022 to £1,946 at the end of 2023, this is broadly in-line with the general increase in inflation as measured by the Consumer Price Index.

Up until the end of 2023, Management costs have been well controlled with a 2% decrease in both the year ended 2022 and 2021.

The cost of delivering Services to residents averaged £2,846 per unit at the end of March 2023, representing an increase of 33% when compared to March 2022. The key contributor towards the increase is attributable to the high cost of providing light and heat to our residents within Supported Schemes. The financial periods ended March 2020 to March 2022 show a relatively stable cost of providing Services, the table therefore demonstrates the Association's ability to contain costs which are passed on to residents via Service Charge billing.

Maintenance costs in both 2023 and 2022 have exceeded £1,200 per unit, but remained lower than the 2022 average for Saha's peer group. Prior to these years, the average cost of maintenance per unit was typically lower. A post-pandemic take-up in demand for the service, coupled with the rising cost of materials and labour is the key driver for the overall increase in the cost per unit.

The cost of replacing major property components has remained fairly consistent over the prior four years, with the exception of 2022 where the Association's cost peaked at £1,486 per unit. This was largely attributable to a catch up in post pandemic spend. The 2023 spend of £880 per unit is below the 2022 peer group median of £945 per unit.

Other Social housing costs per unit of £885 are below the peer group median of £2,421 per unit.

Overhead costs as a % of Turnover have reduced following Saha's review of overhead costs. The outcome for 2023 of 14.1% is better than the peer group median of 14.9% for 2022.

Resident engagement

As a responsible landlord, our resident voice is vital to ensure we deliver relevant quality services to our residents and service users.

Our 2019 STAR survey told us that overall resident satisfaction was 67%. Since then, we've carried out a restructure of our resident contact services team and appointed a Head of Customer Insight to help us understand and improve the services that our residents value most.

Our latest STAR survey was last undertaken in June 2023 with overall resident satisfaction determined at 73%. Whilst this is a significant increase on our 2019 score, it reflects a slight reduction of 1% against our 2022 STAR survey.

We recognise that our performance is not yet where we would like it to be and in August 2022 we launched our Customer insight and communications plan. At the heart of this sits our newly devised Operations Committee, comprised of three Board members, two resident members and two independent members. Their terms of reference will include focus on the delivery of the plan, performance, complaints handling and resident involvement.

Our customer insight and communication plan aims to:

- Generate meaningful customer insight with the outcome focused on informing neighbourhood plans.
- Enhance the role of our residents' scrutiny panel (T4R) to deliver our co-regulatory approach to engagement.
- Create resident led initiatives which help us to shape the services being delivered at a scheme / service level.
- Ensure communication to residents is relevant, transparent and timely.
- Capture and act upon timely feedback received through our complaints process and ongoing Tenant Satisfaction Measure surveys.
- Review our complaints handling policy and procedure to ensure our approach is both resident accessible and aligned with the standards set by the Housing Ombudsman Service.

We will continue to monitor and report on our Tenant Satisfaction Measures.

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 2023, 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 2023 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008, and the Accounting Direction for Private Registered Providers of Social Housing 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 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 the 'cost of living crisis', we assessed and challenged the reasonableness of estimates 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.

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

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.

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.

Our responsibilities and the responsibilities of the board with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Report and Financial Statements, other than the financial statements and our auditor's report thereon. The board is responsible for the other information contained within the annual report. 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.

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 themselves. 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 intends to liquidate the society or to cease operations, or has 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. 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 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;

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

- 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;
- 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, 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.

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

Use of our report

This report is made solely to the society, as a body, in accordance with 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 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 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: 14/8/2023

STATEMENT OF COMPREHENSIVE INCOME for the year ended 31 March 2023

	Notes	2023	2022
		£	£
Turnover	2A/2B	**33,595,482**	32,196,292
Operating expenditure	2A/2B	**(30,071,206)**	(27,886,846)
Gain on disposal of tangible fixed assets	4	**-**	661,617
Operating surplus		**3,524,276**	4,971,063
Interest receivable	5	**64,053**	757
Interest and financing costs	6	**(1,226,496)**	(1,257,339)
Gain on revaluation of investment properties	8	**1,500,000**	2,950,000
Surplus for the financial year	7	**3,861,833**	6,664,481
Actuarial (loss) / gain in respect of pension scheme	23	**(500,561)**	944,026
Total comprehensive income for financial year		**3,361,272**	7,608,507

All amounts relate to continuing operations.

The accompanying notes on pages 41 - 83 form part of these financial statements.

These financial statements were approved and authorised by the Board on 14 August 2023

Stephen Stringer
Chair
Stephen Stringer

Andrew Lawrence
Board Member
Andrew Lawrence

David Chrystal
Company Secretary
David Chrystal

STATEMENT OF CHANGES IN EQUITY AND RESERVES for the year ended 31 March 2023

	Share Capital	Revenue Reserve	Restricted Reserves	Revaluation Reserves	Total
	£	£	£	£	£
Balance as at 31 March 2021	10	60,039,747	6,390,862	977,488	67,408,107
Surplus for the year	-	7,608,507	-	-	7,608,507
Transfers from revaluation reserves to revenue reserves	-	(2,950,000)	-	2,950,000	-
Transfers from revenue reserves to restricted reserves	-	9,292	(9,292)	-	-
Shares issued/ (cancelled) (net)	1	-	-	-	1
Balance as at 31 March 2022	11	64,707,546	6,381,570	3,927,488	75,016,615
Surplus for the year	-	3,361,272	7,381	-	3,368,653
Transfers from revenue reserves to revaluation reserves	-	(1,500,000)	-	1,500,000	-
Transfers from restricted reserves to revenue reserves	-	-	-	-	-
Shares issued/ (cancelled) (net)	-	-	-	-	-
Balance as at 31 March 2023	11	66,568,818	6,388,951	5,427,488	78,385,268

The accompanying notes on pages 41 - 83 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION as at 31 March 2023

	Notes	2023	2022
		£	£
Fixed assets			
Housing properties	10	145,791,962	146,591,549
Property, plant and equipment	11	1,172,528	538,678
Investment Properties	8	33,500,000	32,000,000
Investments	12	51	51
		180,464,541	179,130,278
Current assets			
Debtors	14	2,326,122	1,684,702
Cash and cash equivalents	15	5,208,962	8,269,817
		7,535,084	9,954,519
Creditors: amounts falling due in less than one year	16	(11,729,258)	(11,094,551)
Net current liabilities		(4,194,174)	(1,140,032)
Total assets less current liabilities		176,270,367	177,990,246
Creditors: amounts falling due after more than one year	16	(95,034,399)	(100,110,621)
Provision for liabilities:			
- Defined benefit obligation	23	(2,850,700)	(2,863,010)
Net assets		78,385,268	75,016,615
Capital and reserves			
Called up share capital	20	11	11
Restricted reserves	21	6,388,951	6,381,570
Revenue reserve		66,568,818	64,707,546
Revaluation Reserve	21	5,427,488	3,927,488
		78,385,268	75,016,615

The accompanying notes on pages 41 – 83 form part of these financial statements.
The financial statements were approved by the Board on 14 August 2023 and signed on its behalf by:

Stephen Stringer
Chair
Stephen Stringer

Andrew Lawrence
Board Member
Andrew Lawrence

David Chrystal
Company Secretary
David Chrystal

STATEMENT OF CASH FLOWS for the year ended 31 March 2023

	Notes	2023	2022
		£	£
Operating surplus	2A	3,524,276	4,971,063
Amortisation of grants	18	(2,478,785)	(2,494,885)
Depreciation charges	7	4,078,099	3,910,924
Housing Property and PPE Impairment	7	-	455,285
Accelerated depreciation	2B/ 7/10	252,697	712,166
Surplus on disposal of tangible fixed assets	2A/4	-	(661,617)
SHG written off to Income	2A	-	-
(Increase) / Decrease in debtors		(641,420)	750,076
Increase in creditors		668,133	1,137,948
(Deduct) pension adjustment		(500,561)	(448,319)
Net cash from operating activities		**4,902,439**	**8,332,641**
Cash flow from investing activities			
Interest received	5	64,053	757
Grants repaid	18	-	(1,703,540)
Additions to PPE	8/10/11	(4,165,059)	(4,710,257)
Proceeds on disposal of PPE	4	-	1,727,215
Net cash used in investing activities		**(4,101,006)**	**(4,685,825)**
Cash flow from financing activities			
Interest paid		(1,226,496)	(1,265,974)
Loans repaid		(2,635,792)	(6,100,018)
Share issue	20	-	1
Net cash used in financing activities		**(3,862,288)**	**(7,365,991)**
Decrease in cash and cash equivalents		**(3,060,855)**	**(3,719,175)**
Cash and cash equivalents at beginning of the year	15	**8,269,817**	**11,988,992**
Net cash and cash equivalents at 31 March	15	**5,208,962**	**8,269,817**

The accompanying notes on pages 41 - 83 form part of these financial statements.

Analysis of changes in net debt for the year ended 31 March 2023.

	At 1 April 2022	Cash flow	Other non – cash movements	At 31 March 2023
	£	£	£	£
Cash and cash equivalents	8,269,817	(3,060,855)	-	5,208,962
Housing Loans due within one year	(2,506,805)	2,506,805	(2,515,796)	(2,515,796)
Housing Loans due after more than one year	(19,866,107)	128,987	2,515,799	(17,221,321)
Total	(14,103,095)	(425,063)	3	(14,528,155)

The accompanying notes on pages 41 - 83 form part of these financial statements.

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 2nd Floor, 53-55 Victoria Square, Bolton, BL1 1RZ

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 - 2022 ("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 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.

1. Accounting policies (continued)

Going concern

The Association prepares a 30 year financial plan which is updated and approved on a regular basis. The most recent plan was approved in May 2023. As well as considering a number of scenarios, the Board also adopted a stress testing framework against the base plan. Stress testing impact is measured against loan covenants and peak borrowing levels compared to agreed facilities, with mitigating actions identified to reduce expenditure. The Board is of the opinion that the Association has sufficient resources to continue to meet liabilities over the period of 12 months from the date of approval of the financial statements. In coming to this conclusion the Board has considered the impact of lease arrangements, increased maintenance and major works costs, including decarbonisation investment, increasing arrears and bad debts and liquidity, specifically available cash balances and loan facilities. In relation to rent and service charge receivable, the base financial plan assumes the standard regulatory rent increase is applied.

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.

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 2022-23.

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 £nil (2022: £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 2023 was £60,621,554.

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 2023 was £33,500,000.

1. Accounting policies – estimation uncertainty (continued)

Bad debt provision

The gross trade debtors balance of £1,680,425 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 2023 was £2,840,700.

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.

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
- 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

Turnover and revenue recognition (continued)

- Charges for support services funded under commissioned services are recognised as they fall due under the contractual agreement with Administering Authorities
- Gift Aid income is received from relevant 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 equipment

Housing properties

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

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

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

1. Accounting policies (continued)

Freehold Land	Not depreciated
Building – Main Fabric (structure)	50-75 years
Major Components	
Roof	50 years
Bathrooms	30 years
Lifts	25 years
Mechanical and Electrical Systems	25 years
Windows and External Doors	25 years
Kitchens	20 years

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

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

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

Impairment of housing properties

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

At each Statement of Financial Position date, housing schemes are assessed to determine if there are indicators that the scheme may be impaired in value; if there are such indicators of impairment, then a comparison of the scheme's carrying value to its recoverable amount is undertaken.

Any excess over the recoverable amount is recognised as an impairment loss and charged as expenditure in the Statement of Comprehensive Income; the carrying value is reduced appropriately.

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

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

Other property, plant and equipment

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

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

Sales of housing properties

Where housing properties are disposed of during the year, the surplus or deficit is accounted for within the turnover of the statement of comprehensive income. The sale of the property is recognised upon completion, rather than on exchange of contracts.

Investments

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

Investment Properties

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

Government grants

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

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

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

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.

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 vatable supplies made outside the VAT Group by the Association and its subsidiary. Expenditure is therefore shown inclusive of VAT. Saha Developments Limited is a stand-alone company for VAT purposes.

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.

Schemes managed by agents

The Association has a number of management agreements in place with other agencies where in substance, a transfer of risks and benefits is judged to have taken place. In these circumstances, the transactions managed by these agents are not included in these financial statements. Since entering into a new management agreement, The Salvation Army sits within this category where their figures are no longer included in the financial statements. With respect to the Agency Managed schemes, the total turnover for the year included in these financial statements amounted to £11.3m (2022: £11m) and total operating costs amounted to £9.2m (2022: £9.5m).

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.

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

	2023				2022			
	Turnover £	Other Income £	Operating Expenditure £	Operating Surplus / (Deficit) £	Turnover £	Other Income £	Operating Expenditure £	Operating Surplus / (Deficit) £
Social housing lettings (Note 2B):								
General Needs accommodation	7,521,485	-	(7,343,096)	178,389	7,442,812	-	(6,648,958)	793,854
Supported Housing and Housing for Older People	18,577,716	-	(17,130,235)	1,447,481	18,056,969	-	(16,193,255)	1,863,714
Other – Foyers	2,176,115	-	(2,325,673)	(149,558)	1,527,212	-	(1,470,230)	56,982
	28,275,316	-	(26,799,004)	1,476,312	27,026,993	-	(24,312,443)	2,714,550
Other social housing activities:								
Charges for support services	2,224,074	-	(2,530,752)	(306,678)	2,050,681	-	(2,150,944)	(100,263)
Gift Aid	220,373		-	220,373	200,350	-	-	200,350
Contributions from Agencies	296,190	-	-	296,190	252,176	-	-	252,176
Other Social Housing activities	715,350	-	(425,683)	289,667	826,492	-	(514,645)	311,847
SHG written off to income					-	-	-	-
Subsidiary Loan written off					-	-	-	-
Gain/Loss on disposal of tangible fixed assets					-	661,617	-	661,617
	31,731,303	-	(29,755,439)	1,975,864	30,356,692	661,617	(26,978,032)	4,040,277

NOTES TO THE FINANCIAL STATEMENTS – Year ended 31 March 2023 continued

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

	2023				2022			
	Turnover £	Other Income £	Operating Expenditure £	Operating Surplus / (Deficit) £	Turnover £	Other Income £	Operating Expenditure £	Operating Surplus / (Deficit) £
Activities other than social housing activities:								
Registered Care	275,286	-	(293,936)	(18,650)	263,257	-	(288,243)	(24,986)
Student Accommodation	1,579,313	-	(18,941)	1,560,372	1,563,830	-	(368,731)	1,195,099
Social Enterprise	9,580	-	(2,890)	6,690	12,513	-	(251,840)	(239,327)
	33,595,482		(30,071,206)	3,524,276	32,196,292	661,617	(27,886,846)	4,971,063

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	2023 Total	2022 Total
Income	£	£	£	£	£	£
Rent receivable net of identifiable service charges and voids	6,235,096	6,736,586	3,329,003	655,521	16,956,206	16,491,909
Service charge income	560,258	2,635,962	3,770,993	1,438,704	8,405,917	7,688,663
Support income	-	-	291,957	-	291,957	243,560
Amortised government grants	726,131	1,238,094	431,819	68,603	2,464,647	2,480,747
Other revenue grants	-	-	143,302	13,287	156,589	122,114
Turnover from social housing lettings	7,521,485	10,610,642	7,967,074	2,176,115	28,275,316	27,026,993
Expenditure						
Management	1,915,806	3,587,481	1,346,318	198,693	7,048,298	6,446,859
Service charge costs	1,167,461	2,669,946	4,827,909	1,644,944	10,310,260	7,815,253
Routine maintenance	2,277,740	1,063,632	892,383	247,724	4,481,479	4,387,772
Major repairs expenditure	41,986	108,118	97,975	9,289	257,368	545,753
Depreciation of housing properties	1,665,312	1,369,274	666,109	98,276	3,798,971	3,721,392
Property Impairment	-	-	-	-	-	455,285
Additional depreciation on components replaced	87,734	114,995	43,376	6,592	252,697	712,166
Bad debts	186,979	27,361	134,520	51,991	400,851	-
Other costs	78	-	180,838	68,164	249,080	227,963
Operating costs on social housing lettings	7,343,096	8,940,807	8,189,428	2,325,673	26,799,004	24,312,443
Operating surplus / (deficit) on social housing lettings	178,389	1,669,835	(222,354)	(149,558)	1,476,312	2,714,550
Void losses	(406,499)	(52,269)	(459,939)	(143,987)	(1,062,694)	(779,133)

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:

	2023	2022
	£	£
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)	68,367	57,758
Executive Management Team – Excluding employer's NI contributions	379,726	313,245
	448,093	371,003
Total employer's pension contributions in respect of directors	51,364	16,425
Emoluments of highest paid director, the Chief Executive (excluding pension contributions, including benefits in kind)	149,398	160,922
Employer's pension contributions in respect of the Chief Executive	8,394	8,844

The Chief Executive is a member of the Social Housing Pension Scheme. They are an ordinary member of the pension scheme and no enhanced or special terms apply. In May 2023, following a robust selection process, the Board appointed Lynne Shea to the permanent position of Chief Executive Officer.

3. Key management personnel and employee information (continued)

Salaried Board and Committee members

	2023 £	2022 £
Mr S Stringer (Chair)	7,053	-
Mrs J Laurent-Smart	6,008	4,500
Mr P Taylor (resigned 2022)	3,000	4,500
Mr S Iqbal	2,080	1,560
Mr J Upsher	125	1,500
Mr A Heron	4,375	4,000
Mrs R Judt (Resigned 2021)	-	667
Mr A Lawrence	6,000	6,000
Ms J Robinson	2,000	1,500
Mr I Watson	2,000	1,500
Ms M Hopcroft	6,000	6,000
Mr A McCombe	4,000	4,000
Mr Paul Philips	8,219	4,000
Mr Gregory Lomax (Resigned 2022)	-	14,711
Mr Elliot Thomas	4,000	2,870
Mr Stephen Bright	4,375	450
Mrs R Bhamber	2,873	-
Mr R East	2,205	-
Mr C Pegge	554	-
Mrs B Fry	500	-
Mr David Dashwood	1,500	-
Mrs Lisa Roberts	1,500	
	68,367	57,758

Employee information

Average number of employees:	Number Average 2023 No.	Number Full-time equivalent 2023 No.	Number Average 2022 No.	Number Full-time equivalent 2022 No.
Staff engaged in managing or maintaining housing stock	50	45	52	47
Staff providing central administration services	46	44	42	41
Staff providing support & services	221	120	221	115
	317	209	315	203

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.

	2023	2022
	£	£
Staffing costs:		
Wages and salaries	7,815,971	7,212,686
Termination & Redundancy Costs	50,002	180,611
Social security costs	770,504	650,076
Other pension costs (see note 23)	1,319,058	819,436
	9,955,535	8,862,809
Temporary agency staff costs	1,130,496	1,489,803

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:

	2023	2022
	No.	No.
£60,001 to £70,000	-	1
£70,001 to £80,000	2	5
£80,001 to £90,000	4	-
£100,001 to £110,000	1	-
£110,001 to £120,000	-	1
£120,001 to £130,000	1	-
£140,001 to £150,000	1	-
£160,001 to £170,000	-	1
	9	8

4. Gain on disposal of tangible fixed assets

Housing Property	2023	2022
	£	£
Proceeds from disposal of housing property	-	1,727,215
Costs of sale	-	(1,061,374)
Incidental Selling Costs	-	(4,224)
Gain/(Loss) on disposal of housing property	-	661,617

Property, Plant & Equipment	2023	2022
	£	£
Proceeds from disposal of PPE	-	-
Costs of sale	-	-
Loss on disposal of other fixed assets	-	-
Total gain/(loss) on disposal of fixed assets	-	661,617

5. Interest receivable

	2023	2022
	£	£
Bank deposit interest	64,053	757

6. Interest and financing costs

	2023	2022
	£	£
Interest payable on borrowings	(1,155,496)	(1,171,339)
Net interest cost on DB pension obligations	(71,000)	(86,000)
	(1,226,496)	(1,257,339)

7. Operating Surplus for the year

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

	2023	2022
	£	£
This is stated after charging/(crediting):		
Depreciation – housing properties	3,827,292	3,746,121
Property Impairment	-	455,285
– additional property depreciation on components replaced / planned demolition	250,807	712,166
Depreciation – property, plant and equipment	252,697	164,803
Auditor's remuneration		
– Audit services for the Association by Grant Thornton (excluding VAT)	48,400	44,500
– Audit services for the Subsidiary by Grant Thornton (excluding VAT)	5,000	1,750
– Other Services for the Association by Grant Thornton (excluding VAT)	12,130	9,250
– Other Services for the Subsidiary by Grant Thornton (excluding VAT)	4,041	5,357
– Other Services by Crowe UK LLP (excluding VAT)	1,500	1,175
Management fee and administration charge to Subsidiary	(134,167)	(128,123)
Operating lease rentals - land and buildings	250,024	203,042
- other	147,832	201,244
Hire charges on rental of equipment from Subsidiary	955,660	940,445

8. Investment Property

	2023	2022
	£	£
At 1 April	32,000,000	29,050,000
Property revaluation - increase in value	1,500,000	2,950,000
Investment property valuation at year end	33,500,000	32,000,000

The building named Xenia Hall is held as student accommodation. The revaluation undertaken by Savills, professional external valuers at 31 March 2023 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.

10. Housing properties

	Completed housing properties	Housing properties under construction	2023 Total
	£	£	£
Cost			
At 1 April 2022	204,057,477	77,138	204,134,620
Additions during the year	3,278,512	-	3,278,512
Replacements of components	(864,711)	-	(864,711)
Disposals during the year	(134,900)	-	(134,900)
Transferred during the year	-	-	-
At 31 March 2023	206,336,378	77,138	206,413,516
Depreciation			
At 1 April 2022	57,543,066	-	57,543,066
Charge for the year	3,827,292	-	3,827,292
Additional depreciation charged on components replaced	250,807	-	250,807
Property impairment	-	-	-
Disposals during the year	(134,900)	-	(134,900)
Released on components replaced	(864,711)	-	(864,711)
At 31 March 2023	60,621,554	-	60,621,554
Net book value at 31 March 2023	145,714,824	77,138	145,791,962
Net book value at 31 March 2022	146,514,411	77,138	146,591,549

	2023	2022
Housing properties at net book value comprise:	£	£
Freeholds	81,622,866	81,874,150
Long leaseholds	61,096,206	61,508,281
Short leaseholds	3,072,890	3,209,118
	145,791,962	146,591,549

Additions to properties included £NIL (2022: £nil) at March 2023 for administrative, direct and other indirect costs.

Works to existing properties:

	2023	2022
	£	£
Works to existing properties	3,188,243	5,399,395
Less: Amounts capitalised in housing properties components	(2,930,875)	(4,853,642)
Amounts charged to the Statement of Comprehensive Income	257,368	545,753
Social Housing Activity - Note 2B	257,368	545,753
Amounts charged to the Statement of Comprehensive Income	257,368	545,753

11. Tangible Fixed Assets – Property, plant and equipment

	Office Equipment	Office Furniture	Scheme Furniture	Vehicle	2023 Total
	£	£	£	£	£
Cost					
At 1 April 2022	1,812,611	11,681	1,422,531	5,444	3,252,267
Additions during the year	667,591	5,381	213,575	-	886,547
Disposals during the year	-	(220)	(27,233)	-	(27,453)
At 31 March 2023	2,480,202	16,842	1,608,873	5,444	4,111,361
Depreciation					
At 1 April 2022	1,608,321	8,745	1,091,079	5,444	2,713,589
Charge for the year	75,051	1,405	176,241	-	252,697
Eliminated on disposals during the year	-	(220)	(27,233)	-	(27,453)
At 31 March 2023	1,683,372	9,930	1,240,087	5,444	2,938,833
Net book value					
At 31 March 2023	796,830	6,912	368,786	-	1,172,528
At 31 March 2022	204,290	2,936	331,452	-	538,678

12. Investments

	2023	2022
	£	£
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.

	2023	2022
	£	£
Kingsown Property Limited		
Profit for the year before tax	311,450	270,104
Net assets	1,814,806	1,743,044
Revenue reserves	1,614,806	1,543,044

Operating lease payments made to the subsidiary for the year amounted to £955,660 (2022: £940,445). At 31 March 2023 the amount owed by Kingsown to the Association was £18,607 (2022: £17,796); the amount due to Kingsown from the Association was £nil (2022 £359). The Association also received a gift aid donation of £220,373 (2022: £200,350) from Kingsown.

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 and is currently dormant.

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.

	2023	2022
	£	£
Saha Developments Limited		
Profit for the year before tax	-	389
Net assets	5,348	5,348
Revenue reserves	5,348	5,347

Saha made payments to Saha Developments for property works £nil (2022: £1,538), *At 31 March 2023 the amount owed by Saha Developments to the Association was £nil (2022: £nil)*; the amount due to Saha Developments from the Association was £nil (2022: £nil).The Association did not receive any gift aid donations in the year from Saha Developments (2022: £nil).

14. Debtors

Amounts falling due in less than one year:

	2023	2022
	£	£
Rent and service charges receivable	1,680,425	1,432,084
Provision for bad debts	(926,271)	(798,819)
Net rental and service charge debtors	754,154	633,265
Prepayments and accrued income	647,920	514,495
Other debtors	774,690	475,823
Amounts due from subsidiary undertakings	18,607	17,796
Amounts due from parent undertaking	130,751	43,323
	2,326,122	1,684,702

15. Cash and cash equivalents

	2023	2022
	£	£
Cash at bank and in hand	5,042,625	8,106,484
Short term deposits	166,337	163,333
	5,208,962	8,269,817

16. Creditors

Amounts falling due within one year:

	2023	2022
	£	£
Trade creditors	2,320,008	2,039,708
Prepayment for rent and service charges	993,330	954,112
Deferred income and accruals	3,258,745	3,110,773
Other creditors	192,051	3,472
Housing loans (see note 17)	2,515,796	2,506,805
Amounts due to subsidiary undertakings	2,195	359
Amounts due to parent undertaking	3,824	1,366
Deferred capital grants (see note 18)	2,443,309	2,477,956
	11,729,258	11,094,551

16. Creditors (continued)

Amounts falling due after more than one year:

	2023	2022
	£	£
Housing loans		
Loans repayable between 1 and 2 years by instalments	1,276,141	2,742,272
Loans repayable between 3 and 5 years by instalments	3,961,340	4,062,986
Repayable after five years by instalments and a bullet repayment	11,983,840	13,060,849
Total housing loans (see note 17)	17,221,321	19,866,107
Deferred capital grants		
Social housing grants	75,283,074	77,585,611
Other public grants	1,482,496	1,482,496
Total deferred capital grants (see note 18)	76,765,570	79,068,107
Recycled capital grant fund (see note 19)	1,029,072	1,147,974
Multi-employer pension scheme (see note 23)	18,436	28,433
	95,034,399	100,110,621

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 2023 and 2044, and interest charged at varying rates between 4.10% and 6.75% (2022: 0.89% and 11.50%) as follows:

	2023	2022
	£	£
Housing loans		
Fixed rate borrowings	14,752,127	16,074,282
Variable rate borrowings	4,984,990	6,298,630
Total Housing Loans	19,737,117	22,372,912

	2023	2022
	£	£
Housing loans		
Housing loans due after more than one year	17,221,321	19,866,107
Housing loans due within one year	2,515,796	2,506,805
Total housing loans	19,737,117	22,372,912

18. Deferred capital grants

Analysis of deferred capital grants

	2023	2022
	£	£
Opening balance at 1 April	81,546,064	84,549,863
Released to income in the year	(2,478,785)	(2,494,885)
Moved to recycled capital grant fund (see note 19)	(14,400)	(513,858)
Moved from recycled capital grant fund (see note 19)	156,000	-
Released on grant write off	-	(113,686)
Released on disposal of property	-	118,630
Closing balance at 31 March	79,208,879	81,546,064

	2023	2022
Classified as:	£	£
Amounts to be released within one year (note 16)	2,443,309	2,477,956
Amounts to be released in more than one year (note 16) - restated	76,765,570	79,068,108
Closing balance at 31 March	79,208,879	81,546,064

19. Recycled capital grant fund (RCGF)

	2023	2022
	£	£
Opening balance at 1 April	1,147,974	632,500
Inputs to RCGF:		
Additions during the year	14,400	513,858
Interest accrued during the year	22,698	1,616
Recycling of grant:	(156,000)	-
Grant Repayment	-	-
Closing balance at 31 March	1,029,072	1,147,974

20. Called up share capital

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

	2023	2022
	£	£
Allotted, issued and fully paid:		
At 1 April	11	10
Issued during the year	-	2
Cancellations during the year	-	(1)
At 31 March	11	11

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 2022	117,846	6,137,679	126,045	6,381,570	3,927,488
Transfer to revenue reserve	-	-	-	-	-
Transfer from revenue reserve	-	-	7,381	7,381	1,500,000
At 31 March 2023	117,846	6,137,679	133,426	6,388,951	5,427,488

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.

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 £66,568,818 (2022: £64,707,546) are maintained to ensure the continued financial strength and viability of the Association on a going concern basis.

22. Capital commitments

	2023	2022
	£	£
Capital expenditure that has been contracted for but has not been provided for in these financial statements	-	58,138
Capital expenditure that has been authorised by the Board but has not been contracted for	-	-
	-	58,138

The capital commitment listed above for 2022 is for the retention in respect of one scheme.

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 2022 is £2,863k and £2,851k as at 31 March 2023.

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)

	2023 £000s	2022 £000s
Fair value of plan assets	12,287	18,477
Present value of defined benefit obligation	(15,138)	(21,340)
Deficit in plan	(2,851)	(2,863)
Deferred tax	-	-
Net defined benefit liability to be recognised	(2,851)	(2,863)

23. Pension obligations (continued)

Reconciliation of opening and closing balances of the defined benefit obligation

	2023	2022
	£000s	£000s
Defined benefit obligation at start of period	21,340	21,446
Expenses	13	13
Interest expense	584	460
Actuarial losses due to scheme experience	188	1,833
Actuarial gains due to changes in demographic assumptions	(36)	(340)
Actuarial gains due to changes in financial assumptions	(6,173)	(1,600)
Benefits paid and expenses	(778)	(472)
Defined benefit obligation	15,138	21,340

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

	2023	2022
	£000s	£000s
Fair value of plan assets at start of period	18,477	17,257
Interest income	513	374
Experience on plan assets (excluding amounts included in interest income) – (loss) / gain	(6,522)	837
Contributions by the employer	597	481
Benefits paid and expenses	(778)	(472)
Fair value of plan assets at end of period	12,287	18,477

The actual return on the plan assets (including any changes in share of assets) over the period ended 31 March 2023 was (£6,009,000) (2022: £1,211,000).

23. Pension obligations (continued)

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

	2023	2022
	£000s	£000s
Expenses	13	13
Net interest expense	71	86
Defined Benefit cost recognised in the Statement of Comprehensive Income (SOCI)	84	99

Defined benefit costs recognised in other comprehensive income

	2023	2022
	£000s	£000s
Experience on plan assets (excluding amounts included in net interest cost) – (loss) / gain	(6,522)	837
Experience losses arising on the plan liabilities	(188)	(1,833)
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation – gain	36	340
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation – gain	6,173	1,600
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) – (loss) / gain	(501)	944
Total amount recognised in other comprehensive income – (loss) / gain	(501)	944

23. Pension obligations (continued)

Assets

	2023 £000s	2022 £000s
Global Equity	229	3,546
Absolute Return	133	741
Distressed Opportunities	372	661
Credit Relative Value	464	614
Alternative Risk Premia	23	609
Emerging Markets Debt	66	538
Risk Sharing	904	608
Insurance-Linked Securities	310	431
Property	529	499
Infrastructure	1,403	1,316
Private Debt	547	474
Opportunistic Liquid Credit	526	621
High Yield	43	159
Opportunistic Credit	1	66
Cash	89	63
Corporate Bond Fund	-	1,233
Long Lease Property	371	475
Secured Income	564	688
Liability Driven Investment	5,658	5,156
Currency Hedging	24	(72)
Net Current Assets	31	51
Total assets	12,287	18,477

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

Key assumptions

	2023 % per annum	2022 % per annum
Discount Rate	4.87%	2.79%
Inflation (RPI)	3.19%	3.59%
Inflation (CPI)	2.75%	3.20%
Salary Growth	3.75%	4.20%
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance

23. Pension obligations (continued)

The mortality assumptions adopted at 31 March 2023 imply the following life expectancies:

	Life expectancy at age 65 (Years)
Male retiring in 2023	21.0
Female retiring in 2023	23.4
Male retiring in 2043	22.2
Female retiring in 2043	24.9

Employer pension contributions

	2023	2022
	£	£
Defined benefit employer contributions including deficit contributions	596,860	481,349
Growth Plan deficit contributions	346,965	30,313
Auto-enrolment & SHPS Defined contribution including deficit contribution	375,232	307,774
	1,319,057	819,436

The defined benefit pension costs for Salvation Army Housing Association was £596,860 (2022: £481,349). 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

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 2023 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 2023 (£000s)	31 March 2022 (£000s)	31 March 2021 (£000s)
Present value of provision	18	28	120

23. Pension obligations (continued)

Reconciliation of opening and closing creditor

	Period Ending 31 March 2023 (£000s)	Period Ending 31 March 2022 (£000s)
Provision at start of period	28	120
Unwinding of the discount factor (interest expense)	1	1
Deficit contribution paid	(10)	(31)
Remeasurements - impact of any change in assumptions	(1)	(1)
Remeasurements - amendments to the contribution schedule	-	(61)
Provision at end of period	**18**	**28**

Income and expenditure impact

	Period Ending 31 March 2023 (£000s)	Period Ending 31 March 2022 (£000s)
Interest expense	1	1
Remeasurements – impact of any change in assumptions	(1)	(1)
Remeasurements – amendments to the contribution schedule	-	(61)

Assumptions

	31 March 2023 % per annum	31 March 2022 % per annum	31 March 2021 % per annum
Rate of discount	5.52	2.35	0.66

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.

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 2023 (£000s)	31 March 2022 (£000s)	31 March 2021 (£000s)
Year 1	10	10	30
Year 2	9	10	31
Year 3		9	32
Year 4			28
Year 5			-
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 (2023: £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 £375,232 (2022: £288,259) covering 305 employees (2022: 298 employees).

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:

	2023	2022
	£	£
Land and Buildings – Leases expiring		
Not later than one year	160,562	260,154
Later than one year and not later than five years	46,784	654,322
Later than five years	26,316	141,665
	233,662	1,056,141
Other operating leases – Leases expiring		
Not later than one year	205,786	192,649
Later than one year and not later than five years	459,940	590,586
Later than five years	-	11,103
	665,726	794,338

25. Accommodation in management and development

The number of units of housing, lifehouses and foyer accommodation under development and in management at 31 March 2023 was:

	Number of Units in development		Number of Units in management	
	2023	2022	2023	2022
Housing accommodation for letting:	No.	No.	No.	No.
General Needs:				
Owned and managed	-	-	916	915
Affordable:				
Owned and managed	-	-	359	359
Supported Housing and Housing for Older People:				
Owned and managed	-	-	647	647
Owned but not managed	-	-	1,497	1,539
Managed but not owned	-	-	10	10
Other – Foyer Accommodation:				
Owned and managed	-	-	141	112
Registered care bed spaces:				
Owned and managed	-	-		-
Owned but not managed	-	-	52	52
Student Accommodation:				
Owned and managed	-	-	159	159
Total owned and/or managed	-	-	**3,781**	**3,793**

Housing stock summary:

	Number of Units in development		Number of Units in management	
	2023	2022	2023	2022
	No.	No.	No.	No.
Owned and managed	-	-	2,222	2,192
Owned but not managed	-	-	1,549	1,591
Managed but not owned	-	-	10	10
Total owned and managed	-	-	**3,781**	**3,793**

26. Contingent liabilities

As at 31 March 2023 there were no material contingent liabilities (2022: £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	£102,735
Interest payments	£65,596

The total outstanding balance of the loan at 31 March 2023 was £1,592,984 (2022: £1,695,720). 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 £388,123 (2022: £359,453) 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.

29. Post balance sheet events

The Association surrendered a leased property containing 108 units in May 2023, returning the building to the Parent Company. The lease surrender does not have a material impact on the Association's future revenue and underlying surplus.

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 who served during the year		
Stephen Stringer	Independent	Appointed 9 September 2022
Paul Phillips	Independent	Appointed December 2020
Stephen Bright	The Salvation Army Nominee	Appointed 25 February 2022
Maureen Hopcroft	Independent, People and OD Committee Chair	Appointed June 2019
Andrew Lawrence	Independent, Audit and Risk Committee Chair	Appointed May 2019
Lieut-Colonel Drew McCombe	The Salvation Army Nominee	Appointed January 2021
Elliot Thomas	The Salvation Army Nominee	Appointed 22 July 2021
Raj Bhamber	The Salvation Army Nominee	Appointed 1 August 2022
Robert East	Independent Operations Committee Chair	Appointed 1 October 2022
Gregory Lomax	Chair, Independent	Appointed December 2020 Resigned 31 March 2022
Nigel Hills	Chief Executive	Retired 18 August 2022
Peter Taylor	Independent	Appointed December 2015 Retired 30 November 2022
Alistair Heron	Independent	Appointed March 2017 Retired 31 March 2023
Jennifer Laurent-Smart	The Salvation Army Nominee Operations Committee Chair	Appointed May 2014 Retired 31 May 2023

LEGAL AND ADMINISTRATIVE DETAILS (continued)

Executive Management Team Members		
Lynne Shea	Executive Director of Corporate Services Interim Chief Executive Chief Executive	Appointed January 2022 Appointed March 2022 Appointed May 2023
Sean Hughes	Executive Director of Operations	Appointed May 2020

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