

SHAL Housing Limited

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended

31 March 2022

SHAL Housing Limited
REPORT AND FINANCIAL STATEMENTS
For year ended 31 March 2022

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SHAL Housing Limited
MEMBERS OF THE BOARD OF MANAGEMENT
For year ended 31 March 2022

CHAIR

Mr M Stuart

NON EXECUTIVE BOARD MEMBERS

Ms K James

Mrs J Davoile

Mr M Day

Mrs R Sellers

Ms S Atkins

Mr A Roberts

Mrs N Knowles (Co-opted 26 November 2020: Elected 16 September 2021)

Mr C Griffiths (Co-opted 21 January 2021: Elected 16 September 2021)

Mr P Mott (Co-opted 26 November 2020: Elected 16 September 2021)

Mrs R Turner (resigned 16 September 2021)

Mrs R Crownshaw (Co-opted 26 November 2020: Elected 16 September 2021) Resigned 25 November 2021

EXECUTIVE BOARD MEMBERS

Mrs A Gascoigne

CHIEF EXECUTIVE AND SECRETARY

Mrs A Gascoigne

DIRECTOR OF FINANCE AND RESOURCES

Mr N Allan

AUDITORS

CLA Evelyn Partners (formerly Nexia Smith & Williamson)

BANKERS

National Westminster Bank plc

SOLICITORS

Ashfords

TLT

FUNDERS

Lloyds Banking Group

Triodos Bank

VALUERS

Jones Lang Lasalle

REGISTERED OFFICE

Crypton House, Bristol Road, Bridgwater, Somerset, TA6 4SY

SHAL Housing Limited
REPORT OF THE BOARD OF MANAGEMENT
For year ended 31 March 2022

The Board of Management present their Report, incorporating the Strategic Report, and the audited Financial Statements for the year ended 31 March 2022.

PRINCIPAL ACTIVITY

SHAL is registered as a charitable housing association under the Co-operative and Community Benefit Societies Act 2014 and it is registered with the Regulator of Social Housing.

SHAL HOUSING LIMITED CORE OBJECTIVE

To provide homes to people who are homeless or in housing need.

OUR OPERATING ENVIRONMENT

As the financial year came to an end there was some optimism that we were learning to live wisely with Covid-19. The government's vaccination campaign has resulted in the ability for the majority of the population to live life as normal. The Board were pleased that SHAL has shown itself to be an agile and flexible organisation whose employees continued to deliver our financial and operational performance during the pandemic.

The learnings from the pandemic have resulted in hybrid working that, facilitated by digital working, seems to be here to stay. This has created opportunities for more efficiency as meetings are regularly held virtually, hence avoiding the need for travel time and reducing the impact on the environment.

There are labour shortages nationally resulting from the impact of the pandemic and Brexit, whilst locally the Hinkley nuclear development continues to demand skilled labour. This has been especially apparent for SHAL within our maintenance team where we have experienced high turnover in the year.

Whilst the rise in inflation and rising energy cost cap have not significantly impacted the year under review, the year to the 31 March 2023 is forecast to see CPI over 10%. Many of our tenants will face a cost of living crisis as their incomings may not increase to keep pace with their outgoings.

Our local authority partners have both declared climate emergencies and the Government has set targets of EPC C for all our homes by 2030 and of zero carbon for 2050. The government has adopted a 'fabric first' approach to increase the insulation in homes and hence reduce the amount of energy needed to keep them warm. The Board have allocated resources in SHAL's annual business plans to invest in our homes energy efficiency and to pursue any opportunities that may arise.

OUR RESPONSE

As a 'more than profit' business established almost 28 years ago to provide homes for people who are homeless or in housing need SHAL was determined to play our part in ensuring that what was emerging for tenants and for our business was responded to positively and that we remained optimistic for the future.

Our commitments to tenants and our strategic priorities have been co-created with them. Our strategic priorities for 2021/22 were:

- Invest in improving the standard of our homes including energy efficiency

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- Support tenants including those with disabilities and mental ill health to get the help they need and support their well being
- Support tenants who want to maintain and improve their home themselves and get on the property ladder
- Support tenants and their communities to deal with conflict and anti-social behaviour
- Build new homes

Our commitments are:

1. Create a strong community
2. Build strong relationships
3. Provide quality homes and services
4. Include, listen and understand
5. Be transparent and accountable

The Board has ensured that SHAL delivers on these priorities and commitments at all levels despite the challenges of our operating environment.

Ensuring the safety of our tenants is our top priority. The monthly Health and Safety Committee is chaired by the CEO and covers:

- safe homes including monitoring any homes where dampness and mould have been reported to make sure that they are treated effectively
- safe at home which addresses ASB, safeguarding, disability and domestic abuse and
- safe at work where SHAL's responsibilities as an employer are overseen, including our approach to Covid-19 and stress.

As well as keeping tenants safe, SHAL is committed to ensuring that all our homes are warm and meet the EPC C target by 2030. We have reviewed our EPCs to ensure that our data is comprehensive and up to date. SHAL works in partnership with our suppliers to provide a seamless service to our customers and we have piloted the use of new technology such as air source heat pumps, passive ventilation and passive monitoring systems in the year.

The need to design in affordable warmth has been encoded in our new asset management strategy 'Investing Well in Our Homes' which we developed during 2021/22 and launched with the Board in March 2022. This will inform our approach to property investment and new home development for years to come.

Although SHAL did not deliver any new homes this year we have laid the groundwork for delivery next year with SME developers, parish councils and housing enablers from Sedgemoor District Council and Somerset West and Taunton District Council. Working with ARK Consultancy as our development agent and as part of the Livewest housing consortium, Key West, for access to Homes England Grant, we believe that we are well placed to see an increase in new homes delivery in 2022/23.

SHAL has undertaken a survey of colleagues to review our terms and conditions and also shared learnings from other house associations to improve our colleagues recruitment and retention. SHAL has continued to develop our systems and invest in software and training to ensure hybrid working delivers improvements to the business, whilst also providing benefits to colleagues.

During 2021/22 we invested in training to ensure that colleagues are trauma aware and can respond compassionately and practically to individuals and families who have faced significant challenges

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such as domestic abuse and homelessness. We use coaching and mentoring to develop potential within our team to ensure that we improve our understanding of performance drivers, deliver accurate and timely management information to the executive team and Board to aid quick decision making and increase confidence in responding to tenants and their families.

In 2022/23 we plan to increase our housing officers from 2 people to 3 so that we can offer better services to our tenants and support them through the cost of living crisis. One housing officer will specialise in financial inclusion to support one of our strategic priorities “support tenants and employees who are struggling financially to minimise debt.”

In December 2021 SHAL moved offices to Crypton House which includes another Housing Association and our partner Somerset Gas amongst its other tenants. The new office offers improvements on our ability to manage infection risk and improved car parking which will benefit SHAL’s tenants who visit us from outside Bridgwater. The re-location team worked hard to ensure that the offices were welcoming to people returning from working from home. They offer flexible working arrangements including the ability to conduct hybrid meetings in the new board room and to better meet the needs of people with decreased mobility.

FINANCIAL REVIEW

The Statement of Comprehensive Income for the year ended 31 March 2022 and Statement of Financial Position as at the year ended 31 March 2022 are shown on pages 22–25. The key financial highlights are as follows:

- The surplus for the year was £379,221 (£764,607 – 2020/21)
- Fixed Assets at the 31 March stands at £46,323,897 (£46,251,833 – 2020/21)
- SHAL’s cash balance is £913,223 (£948,271 – 2020/21)

	2022	2021	2020
Stock (number of units)			
Owned	749	750	713
Managed	1	1	1
Total number of units	750	751	714
	£’000	£’000	£’000
Total operating surplus	1,008	1,314	1,237
Net Assets	26,902	26,523	25,759

VALUE FOR MONEY

Value for money is a key focus for SHAL’s Board and as a business we are continuously striving to improve the way we work so we can provide better services to our tenants, invest in our homes and build more affordable homes in our core operating area. Value for money is central to this and underpins our strategy.

SHAL fully embraces the Value for Money (VFM) Standard and Code of Practice introduced in April 2018. Adoption of the standard enables SHAL’s Board to ensure:

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- Optimal benefit is derived from SHAL's resources and assets
- A robust approach to decision making and appraisal of options for improving SHAL's VFM
- SHAL reports on a suite of VFM metrics and clearly explains plans to address areas of underperformance

The 2021/22 Financial Statements have been produced in accordance with the Standard and Code of Practice. The Sector Scorecard Metrics (SSM) have been incorporated into SHAL's VFM Metrics to benchmark SHAL's performance with other providers regardless of size. The 2021 Sector Scorecard Metrics are included in these financial statements as more recent metrics were not available at the date of signing the financial statements.

VALUE FOR MONEY METRICS

		2022	2021	2022	2021	2020
		Target	SSM	Actual	Actual	Actual
		%	%	%	%	%
Business Health	A					
Operating Margin		32	24	26	35	36
EBITDA MRI		283	216	181	276	211
Development (Supply and Capacity)	B					
New supply delivered						
Social Housing		3.0	0.9	0	5.1	0
Gearing		39	34	36	37	39
Outcomes Delivered	C					
Reinvestment		3.5	5.1	1.9	12.8	1.5
Effective Asset Management	D					
Return on capital employed		3.5	3.1	2.2	2.9	2.8
Operating Efficiencies	E					
Headline Social Housing cost per unit		£3,170	£3,891	£3,515	£2,829	£3,077

A - Business Health

Operating margin

In 2021/22 SHAL's operating margin is 26% (SSM group average is 24%.) The impact of coronavirus gradually reduced during the year and allowed SHAL to perform catch up repair work and reduce the additional coronavirus health and safety related expenditure that was needed to keep our tenants and colleagues safe. The annual rental income increases on our existing homes are regulated by the governments rent standard where an increase of up to September CPI + 1% was permissible. After the 4 years of 1% per annum rent reductions between 2016-2019 the Board made the decision to increase rents by 1.5% to provide funding for investment in existing properties and development. The operating margin has reduced from 35% due to increased planned maintenance in the year, completing 341 EPC's to improve our understanding of the energy efficiency of our homes and a

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provision for repairs to our old office when we moved out in December 2021. We continued to improve the way we work, interact and communicate with our tenants and stakeholders. We believe driven by changes introduced to reinforce tenant responsibilities as well as rights to a good repair service, we want to ensure that we are responsive to tenants and will seek to understand with them how we can improve this service area.

EBITDA MRI

EBITDA MRI measures SHAL's operating performance before factoring in financing decisions, accounting decisions or tax environments. It is an approximation of cash generated and presenting it as a percentage of interest shows the level of headroom on meeting interest payments on outstanding debt. SHAL can comfortably cover its outstanding debt. SHAL's EBITDA MRI reduced to 181% (2021 276%) due to lower operating margin above and an increase in our kitchens and bathroom replacement programme after coronavirus reduced access to homes in 2021, and SHAL's investment in energy efficiency improvements e.g. Photovoltaic panels installed on 21 homes. We expect EBITDA MRI to reduce a bit further as we continue to increase kitchen and bathroom installations and undertake further energy efficiency investment to meet the governments 2030 EPC C target for Housing Associations. SHAL's Board stress tests its 30-year business plan at least annually and has a clear understanding of what would cause SHAL significant financial distress and has mitigating strategies in place to deal with any exposures.

B - Development (Supply and Capacity)

Whilst there were no homes completed in the year SHAL continued to progress a number of sites and developments at Curry Rivel and Wedmore which are expected to complete in the next 12 months. SHAL's Board is committed to building new homes in Somerset for those who are homeless or in housing need.

SHAL refinanced in October 2021 and this has provided £13.5m of undrawn loan facilities and SHAL's Board is determined to work in collaboration with our local housing enablers, supported by Homes England, to build more homes with our increased capacity in order to provide additional homes for people who are homeless or in housing need. SHAL aims to increase its number of much needed homes by 3% each year to help solve the housing crisis. Our 30 year business plan demonstrates that our commitment to development can be achieved and that we will continue to meet our covenants, objectives and financial obligations going forward.

C - Outcomes Delivered

Reinvestment

Investment in Development	2022	2021	2020
New rented homes completed	-	38	-
3 Bed House	-	10	-
2 Bed House	-	19	-
2 Bed Flat	-	3	-
1 Bed House	-	4	-
1 Bed Flat	-	2	-
Total investment in new homes	-	£5,675,077	-

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	2022	2021	2020
Planned Investment in our homes			
Kitchens	17	20	45
Bathrooms	23	7	41
Doors	10	47	72
Central Heating	44	43	42
Windows, Facias and Gutters	-	7	8
Roofs	6	1	1
Fences	2	14	17
Photovoltaic panels	21	2	-
Air Source heat pumps	6	1	-
Internal insulation	4	-	1
Cavity Wall insulation	2		
Total investment in our homes	£598,834	£430,137	£611,837

D - Effective Asset Management

Intelligent use of the data from our 2016 stock condition survey has led to the prioritised investment of £2.9m in our homes over the last 5 years, with 68% of our homes receiving a planned improvement.

Return on capital employed %

2022	2021	2020
%	%	%
2.4	2.9	2.8

Over the last four years we have reviewed our approach to void management and have increased our expenditure on planned maintenance. We believe this to be a key driver for occupancy in our homes and we want our tenants to be proud to live in our homes.

Occupancy

2022	2021	2020
%	%	%
99.5	99.2	99.4

Stock turnover

2022	2021	2020
%	%	%
5.1	4.4	7.6

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E – Operating Efficiencies

	Change 2022- 2020	2022 £	Change	2021 £	Change	2020 £
Headline social housing cost per unit	14%	3,515	24%	2,829	-8%	3,077
Management cost per unit	38%	1,609	26%	1,276	9%	1,170
Maintenance cost per unit	-11%	735	3%	712	-14%	824
Major repairs cost per unit	9%	1,099	42%	773	-23%	1,005
Service charge cost per unit	-8%	72	6%	68	-13%	78
	14%	3,515	24%	2,829	-8%	3,077

The % change above includes CPI inflation for the year to March 22 7.0% (March 21 0.7%.)

SHAL's social housing cost per unit has increased to £3,515, (up 24% from 2021.) This is less than the SSM group's average of £3,891. The increase is caused by the one-off dilapidation provision on our old office, an increase in planned maintenance and higher levels of capital expenditure on kitchens and bathrooms. Management costs per unit have increased 26%, due to the office dilapidations provision resulting in 12% of this increase, investing in our maintenance team and an external review of our pay in 2021, led by the Board. Pay was adjusted to ensure that whilst we aren't the highest paying company in the area we are competitive enough to attract and retain talent. Maintenance costs per unit have marginally increased by 3%. Major repair costs per unit increased back up to pre-pandemic levels £1,099 as increased kitchen and bathroom installations were made in the year. Tenant satisfaction with our maintenance service as reported following repairs undertaken remains consistently high at 96% in 2022.

Our tenants wanted more investment in their homes. We listened to this. By using our efficiency savings, redeploying our resources and remaining efficient, SHAL has been able to deliver £598k of planned investment in 2022. This sustained increase in investment in our existing homes has not compromised our ability to deliver the new homes our communities need.

Our colleagues

SHAL continues to put our tenants and their communities at the heart of everything we do and our colleagues are attracted to us because of this. Our colleagues are recruited for their values and attitudes and we invest in them to increase their skills and knowledge so they can deliver a continually improving and evolving service.

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	2022	2021	2020
	%	%	%
Sickness	6.3	4.1	2.6
Employee turnover	53	37	32

SHAL aims to recruit, develop and reward colleagues who are committed to our social purpose and have the capacity to create real value for our tenants. We aim to ensure that everyone who works for SHAL takes responsibility, continually learns and develops their skills and knowledge, has resilience and feels able to be truly who they are so that we are able to make the very best use of their talents.

The impact of coronavirus on colleagues resulted in increased sickness in the year with 19% due to covid self-isolation and 53% of sickness resulting from stress and anxiety. We have a trained mental health first-aider who can support fellow colleagues and additional external occupation health support.

The high employee turnover was the result of 7 maintenance team leaving in the year. An external review of salary and benefits was undertaken to improve colleague retention.

	Change 2022- 2020	2022	Change	2021	Change	2020
				£	£	£
Headcount*	11%	20	11%	18	-	18
Office	17%	7	17%	6	-	6
Maintenance	25%	10	11%	9	13%	8
Housing management	-	3	-	3	-	3
Cleaners	-100%	-	-	-	-100%	1
	11%	20	-%	18	-	18

*The average monthly number of employees (expressed as full-time equivalents based on 37 hours per week)

SHAL employed two maintenance operative apprentices to develop their skills and train them in the SHAL approach. The apprentices will support the existing team and provided capacity to allow us to install energy efficiency improvements in our properties using our in-house, fully trained team. SHAL is taking a fabric first approach to the property improvements needed to meet the government target of all Housing Association homes being EPC C by 2030.

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The Housing Management team are work with our tenants to offer support and pro-actively manage the arrears risk.

	2022	2021	2020
	%	%	%
Gross arrears (all tenants)	3.9	3.5	3.6
Gross arrears (non UC)	2.9	3.3	2.4
Gross arrears (UC)	4.9	3.7	6.3
Rent collected % of rent due	99	100	104
% of total current tenants claiming UC	49	44	41

Investment in communities

As a community housing association SHAL ensures that we maximise our impact on the communities we serve. As well as supporting local businesses via our supply network we also work with partners to support their work in communities. Our CEO sits on the Sedgemoor District Council multi agency Together Team strategy board and our housing officers are proactive in the Together Teams in Sydenham, Hamp and Highbridge. SHAL is the Local Trusted Organisation for the Local Trust funded Villages Together project working with residents across Puriton and Woolavington to invest £1 million over 10 years in supporting community investment focussed on transport, young people, tackling loneliness and improving health outcomes. This year SHAL has worked more intensively than ever with the Partnership, introducing restorative practice to support the systems and relationships which underpin effective working and financial governance and employing two workers on behalf of and paid for by the partnership.

As a provider of largely family homes SHAL supports children and young people in Somerset as part of our core purpose. We know that a warm, safe and affordable home supports parents in bringing up their children, and our communities' future citizens. Our CEO chairs the Somerset County Council's Early Help Strategic Commissioning Board, a multi-agency forums working across the County to ensure that families, young people and children are able to access services, information and advice when they need it to ensure they have everything they need to thrive.

SHAL has trained all its colleagues to be trauma aware so that we are sensitive to personal circumstances and adverse childhood experiences when delivering our services. We have avoided eviction for rent arrears for several years because we recognise homelessness as a significant adverse event for children and their families. We work closely with the Police and partner agencies to create positive community responses to County Lines and drug dealing, where necessary using every power at our disposal to ensure the safety of all residents in the communities we serve.

We are active in tackling the impact of low income, poverty and debt in all our operations. Our work to improve the energy efficiency within homes is driven by the needs of those households who we know struggle to cope financially, ensuring that people are able to reduce their fuel bills or increase the comfort within their homes and reduce the stress that worrying about paying the bills brings with it.

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We have ensured that we are a financially strong organisation. We now need to continue the progress we have made by working with our tenants to build the SHAL Community based on our 5 Commitments which we co-created with tenants:

- Create Strong Community
- Build strong Relationships
- Provide quality homes and services
- Include, listen and understand
- Be transparent and accountable

CHALLENGES AND RISKS

Within our business plan we have identified the challenges and risks that SHAL face. We consider these to be:

- Financial impact of rising inflation and interest rates, where rent income does not keep track with rising costs (salary pressures, rising repair costs and new development cost increases);
- Financial impact of the Government's requirement for Housing Association stock to be carbon Net Zero by 2050;
- Responding to the changing Health and Safety environment;
- The inability to recruit and retain employees to maintain quality of services;

These have the potential to materially impact SHAL and are included in our organisational risk register. The Board have agreed mitigation plans and regularly monitor and manage the potential negative impact on the organisation.

RISK MANAGEMENT

We have a good track record of identifying issues and developing strategies to manage risk impacts over the medium term. A key element of this success is recognising the importance of risk management through a clearly defined strategy and framework. Risk can be any event or combination of events, positive or negative, which impact our ability to meet strategic objectives or cause us to incur unexpected losses and reputational damage. Key elements of our approach to effective management of risk include:

- All major strategic and operational risk are identified and recorded;
- Risks are prioritised to ensure management and resources are focused on key areas;
- Our annual Business Plan includes stress testing of all major risks to assess their impact on the organisation;

The risk management framework is based upon the following fundamental principles:

- Overall responsibility for risk management lies with the Board who delegate operational responsibility to the executive team;
- The management of risk is a continuous process involving regular monitoring and review;

SHAL appoints an external internal auditor to assess if we have appropriate controls, governance and risk management systems in place and to highlight any areas for improvement.

The Board are confident that appropriate actions are taken to ensure that risks are managed and mitigated to reduce their likelihood and impact on SHAL.

GOING CONCERN

After making enquiries, the Board has a reasonable expectation that SHAL has adequate resources to continue in operational existence for the foreseeable future, being a period of twelve months after

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the date on which the report and financial statements are signed. For this reason, it continues to adopt the going concern basis in the financial statements.

As the Board enters 2022/23 with rising inflation affecting our operations we acknowledge that the next year will require SHAL to be agile, flexible and innovative. We believe that our investment in recent years in digital technology, systems thinking and our colleagues will ensure that we can rise to the challenges which no doubt confront us and ensure that we are well placed to create a different but positive future for our tenants, their families and their communities.

HEALTH AND SAFETY

The Board is aware of its responsibilities in all matters relating to health and safety. SHAL provides training on health and safety matters and has prepared health and safety policies. The Health and Safety Committee chaired by our Chief Executive continues to monitor progress and drive improvement.

BOARD AND GOVERNANCE

The Board Members who served during the period are shown on page 3. Board Members are elected from SHAL's shareholders. The Chief Executive is an executive member of the Board. Our Executive Team is listed on page 3. They act within the authority delegated to them by the Board, as set in the Rules and Standing Orders. The remuneration of the Board Members and Executive Team, along with details of the highest paid officer, is detailed in Note 4 of these financial statements.

COMMITTEE STRUCTURE

The Board is aided by the Finance, Audit and Risk Committee which is responsible for the review and monitoring of all financial and accounting policies and risk. It receives from both internal and external auditor's reports on internal controls and financial statements.

The other committees are: Chief Executive's Appraisal Panel, Health and Safety Committee, Remuneration and Nominations Committee and the Development Committee.

BOARD CODE OF CONDUCT

Board Members have an obligation to ensure that their private or personal interests do not influence their decisions or compromise their ability to always act in the best interests of those who it seeks to serve. They must not use their position to obtain personal gain of any sort.

SHAL is committed to and has applied the principles of the Combined Code on Corporate Governance contained in the National Housing Federation's 2015 "Excellence in Governance". A new 2020 Code of Conduct has been issued and SHAL is working towards compliance with this. SHAL also meets the Regulator Social Housing's governance and financial viability standard.

RESPONSIBILITY

The Board is the ultimate governing body and is responsible for SHAL's system of internal control and for reviewing its effectiveness. The system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable, but not absolute, assurance against material misstatement or loss.

SHAL Housing Limited
STATEMENT OF BOARD RESPONSIBILITY
For year ended 31 March 2022

The process of identifying, evaluating and managing the significant risks faced by the Association is ongoing; 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 annually reviewed by the Management Board to ensure compliance with the Circular 07/-7 – “Internal controls assurance”. Whilst this circular was withdrawn with effect from 1 April 2010, registered providers are encouraged to include a statement on internal controls assurance which accords with good practice and should form part of their approach to self-regulation.

The Board’s key means of exercising internal controls are:

- a. Corporate governance arrangements as already highlighted
- b. Written financial regulations and delegated authority
- c. Written Policies and Procedures Manual including a fraud and corruption policy
- d. Compliance with Regulatory Codes
- e. Regular reporting of performance against key performance indicators
- f. Quality Control Assurance
- g. Management structures providing balance and focus within the Association i.e. Chief Executive and Director of Finance and Resources, reporting to the Management Board. Annual employee appraisals and Board Member training.
- h. An internal audit function structures to deliver the Audit Committee’s three-year risk based audit plan
- i. Annual external audit
- j. Budgetary control arrangements with a monthly reporting cycle that identifies variances
- k. All major investments in existing properties, new properties, equipment and software is subject to appraisal and individual approval by the Senior Management Team and/or Management Board as determined by the Financial Regulations
- l. Annual review and amendment of the Business Plan and continuous review of Risk Strategy.

The Board, through the reports of the Finance, Audit and Risk Committee, has reviewed the effectiveness of the system of internal control and agreed it was satisfied with its internal controls systems as required by the Circular.

No weaknesses were found in internal controls which resulted in material losses, contingencies or uncertainties which require disclosure in the financial statements.

STATEMENT OF THE BOARD RESPONSIBILITY

The Co-operative and Community Benefit Societies Act 2014 and registered social housing legislation require the Board to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the association and of its income and expenditure for that period.

- Select suitable accounting policies and then apply them consistently
- Make judgements and estimates that are reasonable and prudent
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 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

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STATEMENT OF BOARD RESPONSIBILITY
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Social Housing 2019. It has general responsibility for taking reasonable steps to safeguard the assets of the association and to prevent and detect fraud and other irregularities.

The Board is responsible for ensuring that the Report of the Board is prepared in accordance with the Housing SORP 2018: Statement of Recommended Practice for Registered Social Housing Providers.

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

AUDITORS

A resolution to re-appoint CLA Evelyn Partners will be made to the AGM.

Mark Stuart

Mark Stuart (Aug 12, 2022 11:26 GMT+1)

M Stuart
Chair

Date: 12/08/2022

SHAL Housing Limited
INDEPENDENT AUDITOR'S REPORT
For year ended 31 March 2022

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SHAL HOUSING LIMITED

Opinion

We have audited the financial statements of SHAL Housing Limited (the 'association') for the year ended 31 March 2022 which comprise Statement of Comprehensive Income, Statement of Changes in Reserves, Statement of Financial Position, Statement of Cashflows and the notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 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 association's affairs as at 31 March 2022 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019.

Basis for opinion

We 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 association 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

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 association'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 Annual 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 and Financial Statements. Our opinion on the financial statements does not cover the other information and 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 course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements,

SHAL Housing Limited
INDEPENDENT AUDITOR'S REPORT
For year ended 31 March 2022

we are required to determine whether this gives rise to 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 in relation to which the Co-operative and Community Benefit Societies Act 2014 requires us to report to you if, in our opinion:

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

Responsibilities of the Board

As explained more fully in the Statement of Board Responsibility 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 controls 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 association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board either intend to liquidate the association or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

We obtained a general understanding of the association's legal and regulatory framework through enquiry of management concerning: their understanding of relevant laws and regulations and the entity's policies and procedures regarding compliance. We also drew on our existing understanding of the association's industry and regulation.

We understand that the association complies with the framework through:

- Updating operating procedures, manuals and internal controls as legal and regulatory requirements change;
- A risk assessment framework and register that includes regular review and scrutiny by the Board and the Finance, Audit and Risk Committee;

SHAL Housing Limited
INDEPENDENT AUDITOR'S REPORT
For year ended 31 March 2022

- An annual assessment of compliance with regulatory standards as applied to Registered Providers and enforced by the Regulator of Social Housing; and
- The Board's close oversight through regular board meetings and compliance reporting

In the context of the audit, we considered those laws and regulations: which determine the form and content of the financial statements; which are central to the association's ability to conduct its business; and where failure to comply could result in material penalties. We identified the following laws and regulations as being of significance in the context of the Association:

- FRS 102, the requirements of the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019, in respect of the preparation and presentation of the financial statements;
- Health and safety regulations; and
- Regulatory standards as applied to Registered Providers and enforced by the Regulator of Social Housing.

We performed the following specific procedures to gain evidence about compliance with the significant laws and regulations above:

- Performed a review of board minutes to identify any indicators of known or suspected non-compliance with significant laws and regulations; and
- Reviewed any correspondence between the Regulator of Social Housing and the association.

The senior statutory auditor led a discussion with senior members of the engagement team regarding the susceptibility of the association's financial statements to material misstatement, including how fraud might occur. The key areas identified as part of the discussion were with regard to the manipulation of the financial statements through manual journal entries.

The procedures carried out to gain evidence in the above areas included:

- Testing of a sample of manual journal entries, selected through applying specific risk assessments applied based on the association's processes and controls surrounding manual journal entries; and
- reviewing and challenging estimates made by management;

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

SHAL Housing Limited
INDEPENDENT AUDITOR'S REPORT
For year ended 31 March 2022

Use of our report

This report is made solely to the association's members, 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 association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the association and the association's members as a body, for our audit work, for this report, or for the opinions we have formed.

CLA Evelyn Partners Limited
CLA Evelyn Partners Limited (Aug 12, 2022 15:01 GMT+1)

CLA Evelyn Partners Limited
Statutory Auditor
Chartered Accountants

Date: 12/08/2022

Cumberland House
15-17 Cumberland Place
Southampton
Hants
SO15 2BG

SHAL Housing Limited
STATEMENT OF COMPREHENSIVE INCOME
For year ended 31 March 2022

		2022	2021
	Notes	£	£
TURNOVER	2	3,941,242	3,707,202
Cost of Sales		(139,892)	(60,894)
Operating costs		(2,808,698)	(2,406,881)
Other operating income		-	8,116
Profit on sale of Housing properties and other fixed assets		15,046	66,483
OPERATING SURPLUS		1,007,698	1,314,026
Interest receivable and similar income		104	454
Interest payable and similar charges	7	(628,581)	(549,873)
SURPLUS ON ORDINARY ACTIVITIES BEFORE AND AFTER TAXATION		379,221	764,607
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		379,221	764,607

Results for the year relate to continuing operations

The notes on pages 27 - 41 form part of these financial statements

SHAL Housing Limited
STATEMENT OF CHANGES IN RESERVES
For year ended 31 March 2022

	Share Capital	Income and expenditure reserve	Revaluation reserve	Total
Balance as at 1 April 2020	39	17,358,734	8,399,775	25,758,548
Surplus from the statement of comprehensive income for the year	-	764,607	-	764,607
Transfer from revaluation reserve to income and expenditure reserve	-	109,915	(109,915)	-
Property disposal transfer from revaluation reserve to income and expenditure reserve	-	9,831	(9,831)	-
Shares Issued	2	-	-	2
Balance as at 1 April 2021	41	18,243,087	8,280,029	26,523,157
Surplus from the statement of comprehensive income for the year	-	379,221	-	379,221
Transfer from revaluation reserve to income and expenditure reserve	-	109,755	(109,755)	-
Property disposal transfer from revaluation reserve to income and expenditure reserve	-	11,232	(11,232)	-
Balance as at 31 March 2022	41	18,743,295	8,159,042	26,902,378

SHAL Housing Limited
STATEMENT OF FINANCIAL POSITION
For year ended 31 March 2022

		2022	2021
	Notes	£	£
FIXED ASSETS			
Housing properties	8	46,288,160	46,224,700
Other fixed assets	10	35,737	27,133
		<hr/> 46,323,897	<hr/> 46,251,833
CURRENT ASSETS			
Stock		7,232	-
Properties for sale	11	31,318	137,012
Debtors	12	299,752	255,636
Cash at bank and in hand		913,223	948,271
		<hr/> 1,251,525	<hr/> 1,340,919
CREDITORS			
Amounts falling due within one year	13	(1,854,701)	(3,931,592)
		<hr/> (603,176)	<hr/> (2,590,673)
NET CURRENT LIABILITIES			
CREDITORS			
Amounts falling due after more than one year	14	(18,818,343)	(17,138,003)
		<hr/> 26,902,378	<hr/> 26,523,157
NET ASSETS			
CAPITAL AND RESERVES			
Called up share capital	16	41	41
Income and expenditure reserve		18,743,295	18,243,087
Revaluation reserve		8,159,042	8,280,029
TOTAL FUNDS		<hr/> 26,902,378	<hr/> 26,523,157

SHAL Housing Limited
STATEMENT OF FINANCIAL POSITION
For year ended 31 March 2022

The financial statements were approved by the Board on 12/08/2022 and signed on its behalf by

Mark Stuart

Mark Stuart (Aug 12, 2022 11:26 GMT+1)

Chair: Mr M Stuart

Angela Gascoigne

Angela Gascoigne (Aug 12, 2022 07:20 GMT+1)

Secretary: Mrs A Gascoigne

Kathy James

Kathy James (Aug 12, 2022 14:54 GMT+1)

Chair Finance, Audit & Risk: Ms K James

Neil Allan

Neil Allan (Aug 11, 2022 12:55 GMT+1)

Finance Director: Mr Neil Allan

SHAL Housing Limited
STATEMENT OF CASHFLOWS
For year ended 31 March 2022

		2022	2021
	Notes	£	£
NET CASH GENERATED FROM OPERATING ACTIVITIES	I	1,945,455	1,529,805
CASH FLOW FROM INVESTING ACTIVITIES			
Acquisition, construction and works to housing properties		(874,771)	(2,036,961)
Grants received		94,169	288,479
Sale property		85,000	115,000
Purchase of other fixed assets		(24,903)	(15,656)
Sale of other fixed assets		-	2,950
Interest received		104	454
Net cash used in investing activities		(720,401)	(1,645,734)
CASH FLOW FROM FINANCING ACTIVITIES			
Issue of shares/cancel of shares		-	2
New Loans		2,500,000	2,000,000
Repayment of borrowings		(3,046,164)	(800,000)
Interest paid and similar charges		(557,183)	(538,808)
Loan arrangement fees		(156,755)	-
Net cash inflow from / (used in) financing activities		(1,260,102)	661,194
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(35,048)	545,265
Cash and Cash Equivalents at beginning of year	II	948,271	403,006
Cash and Cash Equivalents at end of year	II	913,223	948,271

SHAL Housing Limited
NOTES TO THE STATEMENT OF CASHFLOWS
For year ended 31 March 2022

I RECONCILIATION OF OPERATING SURPLUS TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2022	2021
	£	£
Operating surplus for the year	1,007,698	1,314,026
Depreciation	772,888	717,619
Amortisation of grant income	(26,495)	(18,401)
Profit on disposal of fixed assets	(15,045)	(66,483)
Increase in stock	(7,232)	-
Decrease / (increase) in properties for sale	105,694	(25,895)
Decrease / (increase) in debtors	50,452	(49,159)
Increase / (decrease) in creditors	57,495	(341,902)
NET CASH GENERATED FROM OPERATING ACTIVITIES	1,945,455	1,529,805

II CASH AND CASH EQUIVALENTS

	2022	2021
	£	£
Cash at bank and in hand	913,223	948,271

III Analysis of changes in Net Debt

	At 1 April 2021	Cashflows	Other non- cash changes	At 31 March 2022
	£	£	£	£
Cash	948,271	(35,048)	-	913,223
Total cash and cash equivalents	948,271	(35,048)	-	913,223
Bank borrowings within one year	(3,150,471)	3,046,164	(892,659)	(996,966)
Bank borrowings due in more than 1 year	(14,584,072)	(2,509,212)	892,659	(16,200,625)
Total borrowings	(17,734,543)	536,952	-	(17,197,591)
Net Debt	(16,786,272)	501,904	-	(16,284,368)

SHAL Housing Limited
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2022

1. ACCOUNTING POLICIES

SHAL is incorporated under the Co-operative and Community Benefit Societies Act 2014 and is a registered provider of social housing with the Regulator of Social Housing. SHAL is a public benefit entity as defined by FRS102. SHAL was incorporated in the UK.

BASIS OF ACCOUNTING

The financial statements have been prepared in accordance with UK Generally Accepted Practice (UK GAAP) including Financial Reporting Standard 102 (FRS 102) and the Housing SORP 2018: Statement of Recommended Practice for Registered Social Housing Providers and comply with the Accounting Direction for Private Registered Providers of Social Housing 2019. The accounts are prepared under the Historic Cost Convention as modified for the restatement of housing properties at deemed cost on transition to FRS102.

GOING CONCERN

The Board will continue to review the potential risks to SHAL and implement any actions needed to minimise them. After making enquiries, the Board has a reasonable expectation that SHAL has adequate resources to continue in operational existence for the foreseeable future, being a period of twelve months after the date on which the report and financial statement are signed. For this reason it continues to adopt the going concern basis in the financial statements.

SIGNIFICANT JUDGEMENTS AND ESTIMATES

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 balance sheet date and the reported amounts of revenues and expenses during the reporting period.

Significant management judgements

There were no significant management judgements made in applying the accounting policies of the Association that have a significant effect on the financial statements.

Estimation uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Depreciation of Structure and Components

The Board have reviewed and agreed our depreciation policy for the structure of our properties and components. The review was based on a 100% stock condition survey undertaken in 2014/15. The board have agreed that the useful economic lives of the

SHAL Housing Limited
NOTES TO THE FINANCIAL STATEMENTS
For year ended 31 March 2022

structure and components reflect the findings of the stock condition survey. The depreciation periods are set out on page 30.

Recoverability of Rental and other trade debtors

The majority of our debtors are trade debtors and are derived from rental income and recharges to tenants for services provided by SHAL. A provision for doubtful debts is maintained for potential losses based upon management's assessment of the expected collectability of all debtors. The provision for doubtful debt is reviewed periodically to assess the adequacy of the provision. In making this assessment, management takes into consideration any circumstances of which they are aware regarding a tenant's inability to meet its financial obligations. Provision for rental arrears and other debts as at 31 March 2022 was £147,855.

GROUP FINANCIAL STATEMENTS

The financial statements contain information about SHAL Housing Limited as an individual Association and do not contain consolidated financial information due to the effect of Sedgemoor Housing Management Services Limited being immaterial.

TURNOVER AND REVENUE RECOGNITION

Turnover represents rental and service charge income, 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 in the period to which it relates.

HOUSING PROPERTIES

Housing properties are principally available for rent.

Works to existing properties which replace a component that has been treated separately for depreciation purposes, along with those works that result in an increase in net rental income over the lives of the properties thereby enhancing the economic benefits of the assets, are capitalised as improvements. The surplus or deficit arising on sales of housing properties comprises proceeds from property sales, which are recognised at the date of completion, less the net book value of the properties, taking into account any associated sales costs.

The cost of shared ownership properties held at the year end is included in Housing Properties only to the extent that it represents the cost of subsequent tranches. The costs attributable to the unsold first tranche sales are classified as current assets within stock. Sales of second or subsequent tranches of shared ownership properties are dealt with in the income and expenditure account above the operating surplus line within the surplus/deficit on sales of properties. Proceeds from first tranche sales of shared ownership properties are included within turnover with attributable costs being included within cost of sales.

GOVERNMENT GRANTS

Social Housing Grant (SHG) is receivable from Homes England (previously the Homes & Communities Agency - HCA) and is utilised to reduce the capital costs of housing properties, including land costs.

SHAL Housing Limited
NOTES TO THE FINANCIAL STATEMENTS
For year ended 31 March 2022

The Association took advantage of transitional relief for deemed cost and all grant on transition has been treated under the performance model and released to the Income and Expenditure Reserve. Subsequent to the date of transition, Government Grants received for housing properties are recognised in income over the useful life of the housing property structure and, where applicable, its individual components (excluding land) under the accruals model.

Grants due from government organisations or received in advance are included as current assets or liabilities. Government grants include grants receivable from Homes England, local authorities, and other government organisations. The unamortised element of the government grant is recognised as deferred income in creditors. Grants relating to revenue are recognised in income and expenditure over the same period as the expenditure to which they relate. Until the revenue grants are recognised as income they are recorded as liabilities.

Social Housing Grant can be recycled by the SHAL under certain circumstances such as if a property is sold, or if another relevant event takes place. In these cases, the grant can be recycled for use on projects approved by Homes England and is held on the statement of financial position as a liability in the Recycled Capital Grant Fund. However, grant may need to be repaid if certain conditions are not met, and in that event, is a subordinated unsecured repayable debt.

Grants received for non-capital purposes are recognised as revenue, subject to grant conditions being satisfied, in the year of receipt.

DEPRECIATION OF HOUSING PROPERTIES

SHAL separately identifies the major components which comprise its housing properties and charges depreciation, so as to write down the cost of each component to its estimated residual value, on a straight line basis, over its estimated useful economic life.

SHAL depreciates the major components of its housing properties at the following annual rates:

Structure	0.90% - 1.25%
Roofs	2.00% - 3.33%
Kitchens	5.00%
Bathrooms	3.33%
Windows and Doors	2.50% - 3.33%
Re-wiring	3.33%
Central Heating	6.67%
Fences	10.00%
Fascias and Guttering	5.00%
Sewerage Systems	3.33%
Internal insulation	2.50%
Air Source Heat Pumps	6.67%
Freehold land is not depreciated.	

SHAL Housing Limited
NOTES TO THE FINANCIAL STATEMENTS
For year ended 31 March 2022

IMPAIRMENT

Housing properties are assessed annually for impairment indicators. Where indicators are identified, an assessment for impairment is undertaken comparing the assets 'carrying amount' to its 'recoverable amount'. Where the carrying amount of an asset is deemed to exceed its recoverable amount, the asset is written down. The recoverable amount is the higher of the fair value of the asset (less estimated cost to sell) and the 'value in use' of the asset based on its service potential. The resulting impairment loss is recognised as expenditure in the income and expenditure.

OTHER TANGIBLE FIXED ASSETS

Depreciation is provided evenly on the cost of other tangible fixed assets to write them down to their estimated residual values over their expected useful lives. The principal annual rates used for other assets are:

Furniture, fixtures and fittings	20%
Computer equipment	33%
Vehicles and Plant	20%

PROPERTIES FOR SALE AND WORK IN PROGRESS

Properties held for sale and work in progress are stated at the lower of cost and net realisable value. Work in progress represents the cost of first tranches of shared ownership housing accommodation.

INTEREST RECEIVED

Interest earned on short term investments is accounted for when receivable.

PENSIONS

SHAL operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the SHAL pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from SHAL in independently administered funds.

VALUE ADDED TAX

As from 31 January 2017 SHAL deregistered from HMRC for the purpose of VAT and therefore all expenses are stated inclusive of VAT.

CORPORATION TAX

SHAL is an exempt charity and is therefore, not subject to Corporation Tax on its charitable activities.

SHAL Housing Limited
NOTES TO THE FINANCIAL STATEMENTS
For year ended 31 March 2022

BAD AND DOUBTFUL DEBTS

Provision is made against rent arrears of current, former tenants and against sundry debtors to the extent that they are considered irrecoverable. Full provision is made against former tenant arrears.

OPERATING LEASES

Costs in respect of operating leases are charged on a straight line basis over the lease term.

CYCLICAL AND MAJOR REPAIRS

A regular programme of planned repairs and maintenance has been established. The costs of such work are charged to the statement of comprehensive income as incurred, unless such repairs result in replacement of a component or an enhancement of the economic benefit to the property and therefore, it will be capitalised in housing properties.

REVALUATION RESERVE

As of 31 March 2014 on transition to FRS102, the difference between the valuation of completed housing properties and their historical cost carrying value (net of depreciation) was credited to the revaluation reserve. A transfer is made from the Revaluation Reserve to the Income and Expenditure Reserve on an annual basis for any difference between the actual depreciation charge and that which would have been incurred if the housing properties had been held at their historic cost.

INCOME AND EXPENDITURE RESERVE

The Income and Expenditure Reserve relates to the cumulative surplus less amounts transferred to the Revaluation Reserve.

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 and other debtors and creditors are classified as basic financial instruments and measured at initial recognition at transaction price. Debtors and creditors 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.

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 which are an integral part of the Association's cash management.

Interest bearing bank loans 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

SHAL Housing Limited
NOTES TO THE FINANCIAL STATEMENTS
For year ended 31 March 2022

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.

2. SOCIAL HOUSING INCOME AND EXPENDITURE

	2022	2021
	£	£
General Needs Housing:		
Rent receivable net of identifiable service charges	3,697,232	3,541,130
Service Charge Income	33,848	34,858
Shared Ownership initial sales	171,000	76,000
Amortisation of Capital Grants	26,495	18,401
Other Income	12,667	36,813
	<u>3,941,242</u>	<u>3,707,202</u>
Cost of Sales		
Shared Ownership initial sales	(139,892)	(60,894)
	<u>(139,892)</u>	<u>(60,894)</u>
Operating costs		
Social housing activities expenditure	(2,808,698)	(2,406,881)
	<u>(2,808,698)</u>	<u>(2,406,881)</u>
Other operating income		
Furlough scheme grant	-	8,116
	<u>-</u>	<u>8,116</u>
Profit on sale of Housing properties and other fixed assets	15,046	66,483
Operating Surplus from Social Housing Activities	<u>1,007,698</u>	<u>1,314,026</u>
 Net Profit from Social Housing Activities	 <u>379,221</u>	 <u>764,607</u>
 Rent losses from voids	 <u>(26,411)</u>	 <u>(23,247)</u>

SHAL Housing Limited
NOTES TO THE FINANCIAL STATEMENTS
For year ended 31 March 2022

3. EMPLOYEE INFORMATION

The average monthly number of employees (expressed as full time equivalents based on 37 hours per week) employed during the year was:

	2022 No.	2021 No.
Office	7	6
Maintenance	10	9
Housing management	3	3
	20	18
	£	£
Wages & Salaries	610,076	595,388
Social security costs	58,602	55,602
Other pension costs	35,870	36,182
	704,548	687,122

EMOLUMENTS OF HIGH PAID EMPLOYEES

	2022 FTE	2021 FTE
£60,001 – £70,000	-	1
£70,001 – £80,000	1	-
£80,001 – £90,000	-	1
£90,001 – £100,000	1	-

4. DIRECTORS' AND BOARD MEMBERS' EMOLUMENTS

Key Management Personnel is regarded as the Board and Executive Team.

	Basic Salary £	Benefits in kind £	Pension contributions £	2022 Total £	2021 Total £
Members of the Senior Management Team	151,438	10,491	12,318	174,247	163,231

The emoluments of the highest paid director excluding pension contributions were £90,807 (2021: £84,470). The Chief Executive is an ordinary member of SHAL's defined contribution pension scheme and has no enhanced or special terms applied.

Board members were reimbursed expenses of £81 (2021: £nil) in the year.

SHAL Housing Limited
NOTES TO THE FINANCIAL STATEMENTS
For year ended 31 March 2022

5. SURPLUS ON ORDINARY ACTIVITIES

The surplus for the year is stated after charging the following items:

	2022	2021
	£	£
Auditors Remuneration:		
Audit fees	14,200	13,340
Depreciation of Housing Properties	756,604	696,925
Depreciation of other Fixed Assets	16,284	20,694
Profit on disposal of Housing Properties and other fixed assets	15,045	66,483

6. TAXATION

SHAL has charitable status with HMRC and accordingly no tax is payable.

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2022	2021
	£	£
On bank loans	485,029	477,635
Amortisation of loan issue costs	113,705	35,491
Other funding/finance costs	29,847	36,747
	628,581	549,873

SHAL Housing Limited
NOTES TO THE FINANCIAL STATEMENTS
For year ended 31 March 2022

8. TANGIBLE FIXED ASSETS – Housing Properties

	Housing properties held for letting £	Shared ownership properties	Housing properties for letting under construction £	Total housing properties £
Cost or deemed cost				
At 1 April 2021	50,095,250	258,799	62,595	50,416,644
Additions	-	-	275,939	275,939
Property disposal	(56,679)	-	-	(56,679)
Works to existing properties (component replacement)	598,832	-	-	598,832
Component disposal	(6,287)	-	-	(6,287)
At 31 March 2022	50,631,116	258,799	338,534	51,228,449
Depreciation:				
At 1 April 2021	4,190,606	1,338	-	4,191,944
Property disposal	(4,725)	-	-	(4,725)
Component disposal	(3,534)	-	-	(3,534)
Depreciation charge for the year	754,251	2,353	-	756,604
At 31 March 2022	4,936,598	3,691	-	4,940,289
Net book value:				
At 31 March 2022	45,694,518	255,108	338,534	46,288,160
At 31 March 2021	45,904,645	257,461	62,594	46,224,700

On a historical cost basis the housing properties fixed assets would have been included at:

	2022 £	2021 £
Cost	43,649,725	42,825,541
Aggregate depreciation	(5,520,606)	(4,880,870)
Depreciated cost	38,129,119	37,944,671

SHAL Housing Limited
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8. TANGIBLE FIXED ASSETS – Housing Properties (continued)

ACCOMMODATION IN MANAGEMENT

	2022	2021
	No	No
Housing accommodation stock – social housing general needs:		
Social rents	659	660
Affordable rents	87	87
Shared Ownership	3	3
Social Housing Owned	749	750
Managed on behalf of others	1	1
At 31 st March 2022	750	751
Weighted average for the year	751	736

9. HOUSING PROPERTIES AND OTHER FIXED ASSET DISPOSAL

	2022	2021
	£	£
Sale Proceeds	85,000	125,000
Less Carrying Value	(51,954)	(46,780)
Less Recycled Capital grant	(15,232)	-
Profit on disposal of housing property	17,814	78,220

The loss on the disposal of fixed asset housing property components was £2,754 (2021: loss £13,218) and the loss on disposal of other fixed assets was £15 (2021: profit £1,481)

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10. TANGIBLE FIXED ASSETS – Other Fixed Assets

	Leased Properties fixtures and fittings £	Vehicles Plant and Stock £	Office & computer equipment £	Total £
Cost or valuation:				
At 1 April 2021	58,429	45,489	168,477	272,395
Additions	24,478	425	-	24,903
Disposals	(52,381)	-	-	(52,381)
As at 31 March 2022	30,526	45,914	168,477	244,917
Depreciation:				
At 1 April 2021	55,722	41,013	148,527	245,262
Charge for the year	2,848	3,104	10,332	16,284
Released on Disposal	(52,366)	-	-	(52,366)
At 31 March 2022	6,204	44,117	158,859	209,180
Net book value:				
At 31 March 2022	24,322	1,797	9,618	35,737
At 31 March 2021	2,707	4,476	19,950	27,133

11. PROPERTIES FOR SALE

	2022 £	2021 £
Shared ownership initial sales:		
Cost of completed units	-	137,012
Cost of units under development	31,318	-
	31,318	137,012

SHAL Housing Limited
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For year ended 31 March 2022

12. DEBTORS

	2022	2021
	£	£
Rental and service charges receivable	184,683	165,730
Provision for bad debts	(65,065)	(50,051)
Net rental and service charges receivable	119,618	115,679
Other debtors	113,101	82,891
Provision for bad debt - other	(82,790)	(82,891)
Prepayments and accrued income	149,823	139,957
	<u>299,752</u>	<u>255,636</u>

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2021	2021
	£	£
Housing loans	996,966	3,150,471
Rents in advance	77,397	83,622
Trade creditors	207,361	200,899
Other creditors	104,239	100,474
Local Trust	101,739	171,592
Accruals and deferred income	323,942	200,594
Deferred capital grant (note 17)	27,825	23,940
Recycled capital grant fund (note 18)	15,232	-
	<u>1,854,701</u>	<u>3,931,592</u>

Local Trust funding is restricted for use only on the Villages Together project.

14. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2022	2021
	£	£
Housing loans	16,200,625	14,584,073
Deferred capital grant (note 17)	2,617,718	2,553,930
	<u>18,818,343</u>	<u>17,138,003</u>

SHAL Housing Limited
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For year ended 31 March 2022

15. BORROWINGS

Housing Loans

All housing loans are secured by a charge on the assets of the Association. £7.8m of loans are fixed at 3.26% of interest terminating in October 2027 and £9.4m of loans are fixed between 2.00% and 2.812% of interest terminating in 2046. At the 31 March 2022 SHAL has £13.5m of undrawn loan facilities (2021: £5m). Within two different facilities, SHAL has the ability to manage its interest rate risk by taking advances at fixed rates for periods of variable duration. At the balance sheet date 100% of SHAL's debt is fixed. The high level of fixed debt allows SHAL to confidently be able to manage its loan servicing costs and provide certainty to allow it to grow and fulfil its social purpose.

The loans are repayable in instalments due as follows:

	2022	2021
	£	£
Amounts payable:		
Within one year	996,966	3,150,471
Over one year and up to two years	1,196,892	1,271,087
Over two years and up to five years	4,145,128	4,654,918
Over five years	10,858,605	8,658,068
	<u>17,197,591</u>	<u>17,734,544</u>
Due within one year	996,966	3,150,471
Due after more than one year	16,200,625	14,584,073
	<u>17,197,591</u>	<u>17,734,544</u>

16. CALLED UP SHARE CAPITAL

	2022	2021
	£	£
Allocated, called up and fully paid shares of £1	<u>41</u>	<u>41</u>

All shares have equal voting rights at the Annual General Meeting of the Association. The shares do not have rights to any dividends, nor to a distribution in winding-up, and they are not redeemable.

SHAL Housing Limited
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17. DEFERRED CAPITAL GRANT

	2022	2021
	£	£
At 1 April 2021	2,577,870	2,307,792
Grant received in the year	94,168	288,479
Released to income in the year	(26,495)	(18,401)
At 31 March 2022	<u>2,645,543</u>	<u>2,577,870</u>
Amounts to be released within one year	27,825	23,940
Amounts to be released in more than one year	<u>2,617,718</u>	<u>2,553,930</u>

The grants received in the year were through the Local Authority Delivery 1a £77,671 and Renewable Heat incentive scheme £16,497

18. RECYCLED CAPITAL GRANT FUND

	2022	2021
	£	£
Opening balance	-	-
Grants recycled	15,232	-
Closing balance	<u>15,232</u>	<u>-</u>

The grant relates to a property sold under the Right to Acquire in 2022. The grant amount recycled was originally received in 1999 and is due to be used on future developments.

19. FINANCIAL COMMITMENTS

As at 31 March 2022 the Association had annual future minimum lease payments as follows:

	Land and buildings		Other	
	2022	2021	2022	2021
	£	£	£	£
Within one year	12,060	9,750	8,609	23,480
Within two to five years	43,215	-	-	8,235
	<u>55,275</u>	<u>9,750</u>	<u>8,609</u>	<u>31,715</u>

20. LEGISLATIVE PROVISIONS

The Association is incorporated under the Co-operative and Community Benefits Act 2014 and is a registered housing provider with the Regulator Social Housing (reg no LH4035).

SHAL Housing Limited
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For year ended 31 March 2022

21. RELATED PARTIES

There were no tenant members of the Board during the year. Transactions with Key Management Personnel are covered in Note 4.

The Board is the ultimate controlling party of the organisation.

22. CAPITAL COMMITMENTS

There has been £2,639,642 (2021 - £nil) capital expenditure that has been contracted for but not provided for and £nil (2021 - £2,475,642) capital expenditure authorised but not yet contracted to. The capital commitments will be funded through the association's own reserves, loan funding and the receipt of social housing grants.

23. GROUP ENTITIES

Sedgemoor Housing Management Services Ltd (SHMS) is a subsidiary of SHAL. SHMS has no share capital and is limited by guarantee to the extent of £10 for each of the 3 Directors and SHAL, by virtue of its ability to control the composition of the Board, treats SHMS as a subsidiary. During the year SHAL provided SHMS management services and charged £1,192 (2021 - £1,753.) The amount owed by SHMS at the year end was £1,020 (2021 : owed by SHMS £1,064.) SHMS made a profit in the year £44 (2021 – loss £1,064) and SHAL has agreed to support SHMS whilst performance improves.

24. PENSIONS AND PENSION COMMITMENTS

SHAL operates a defined contribution pension scheme for auto-enrolment which is open to all qualifying employees. SHAL also offers an improved defined contribution scheme for all qualifying employees once they have completed their probation period. On retirement the employee can use the funds earned in their personal pension pot to obtain a pension.