

# **SHAL Housing Limited**

## **ANNUAL REPORT AND FINANCIAL STATEMENTS**

For the year ended

**31 March 2023**

Regulator of Social Housing No. LH4035

Co-operative and Community Benefit Society Registered No. 27772R

SHAL Housing Limited  
REPORT AND FINANCIAL STATEMENTS  
For year ended 31 March 2023

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SHAL Housing Limited  
MEMBERS OF THE BOARD OF MANAGEMENT  
For year ended 31 March 2023

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**CHAIR**

Mr J Gibson (appointed 24 May 2023)  
Mr M Day (Interim Chair appointed 14 September 2022: resigned 24 May 2023 )  
Mr M Stuart (resigned 14 September 2022)

**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  
Mr C Griffiths  
Mr P Mott  
Mr P Gardiner (Co-opted 13 July 2022: Elected 14 September 2022)

**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 Limited

**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 2023

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The Board of Management present their Report, incorporating the Strategic Report, and the audited Financial Statements for the year ended 31 March 2023.

**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 a close the UK economy was continuing to suffer from high inflation and high interest rates as a result of UK and world wide factors including the war in Ukraine. Despite these economic headwinds 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.

The CPI inflation rate has increased as high as 11.1% in the financial year, its highest since 1981. Many of our tenants are facing a cost of living crisis as their incomes, whether through benefits or wages, have not kept pace with the rising cost of food, energy and other outgoings. The Bank of England have increased interest rates from 0.75% in April 2022 to 5.0% in June 2023 as they have sought to control the inflation.

The Government consulted with the social housing sector on rent increases of 3%, 5% and 7% against the back drop of CPI in September 2022 of 10.1%. SHAL applied the 7% rent increase which was eventually agreed in order to continue to invest well in our homes and to build new homes to meet an ever deepening housing crisis. We communicated widely with our tenants to ensure that they knew we could and would support them during the cost of living crisis to ensure that they were able to eat, heat their homes and pay their rent and other bills. This was a key focus of our work during the year.

The Government has set targets for all Housing Association homes to be EPC C by 2030 and zero carbon by 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 government has provided grant funding to the Housing Association sector through the Social Housing Decarbonisation Fund which SHAL has applied for and won. 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.

The local Hinkley nuclear development continues to require skilled labour and compounds labour shortages nationally resulting from the impact of the pandemic and Brexit. In particular this has driven up salaries for skilled maintenance operatives for all Housing Associations. The Board approved a performance framework which allows SHAL to compete in the market and create a highly skilled and stable workforce.

The Board has welcomed the proactive response taken by the social housing sector to the widespread reporting of service delivery failure and the tragic death of Awaab Ishak. Executive Directors and others throughout SHAL engaged widely with the sector in the Better Social Housing



## SHAL Housing Limited

### REPORT OF THE BOARD OF MANAGEMENT

#### For year ended 31 March 2023

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Review and we consulted with tenants via our Community Chats and social media to make sure that people were aware of the reasons for the Review and the outcomes from it. We are now working internally and with partners and colleagues across the sector to deliver the recommendations and ensure that we learn from others and continue to improve our services to tenants and the quality of their homes.

Our partnership with Somerset West and Taunton District Council and Sedgemoor District Council entered a new phase in April 2023 with the establishment of the new Somerset Unitary Council. Throughout the year we have worked with colleagues across the council in preparation for the systems and governance which will be developed in the year to come.

#### **OUR RESPONSE**

As a community based Housing Association SHAL has never lost sight of our purpose to provide safe, warm affordable homes for people who are homeless or in housing need. SHAL is determined to play our part in responding positively to the challenges facing our tenants and for our business to continue to improve its service to our tenants and our communities.

Our commitments to tenants and our strategic priorities have been co-created with them. Our strategic priorities for 2022/23 were:

- Invest well in our homes
- Support tenants who are struggling financially
- 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;

As well as keeping tenants safe, SHAL is committed to ensuring that all our homes are warm and meet the governments EPC C target by 2030. SHAL has 227 homes that are below EPC C. SHAL is focusing on improving the worst homes first and follows a fabric first approach. SHAL has to balance the financial demands of building new homes to help people in housing need with continued investment in our existing homes and making energy efficiency improvements to meet the governments 2030 EPC C target for Housing Associations.

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During the year SHAL worked in partnership with Housing Associations and Local Councils in the South West to successfully apply for Social Housing Decarbonisation Fund grants from the government to help improve the energy efficiency of our homes. The installation of these improvements began in the financial year and will complete in the next year. This grant is worth up to £340,000.

The Board invested in providing better services to our tenants and helping support them through the cost of living crisis by increasing the number of housing officers to 3, from 2. One housing officer specialises in financial inclusion to support one of our strategic priorities “support tenants who are struggling financially.” We have successfully claimed £31,849 (2022 : £22,499) of Discretionary Housing payments from local councils for our tenants to allow them to reduce their rent arrears.

To mitigate some of the impacts of inflation on our budgets SHAL has reviewed the specification of some of the works it undertakes and revised these to minimise cost increases. SHAL uses our monthly community chats with tenants to discuss these and other matters to gain insight on the best way to improve our services.

SHAL’s response to labour shortages has been to implement a salary and performance matrix for our maintenance team to provide growth and development. This has been well received and we have seen lower levels of colleague sickness and turnover compared to recent years. SHAL offered higher annual percentage pay increases for lower paid colleagues to alleviate some of the impact of the cost of living crisis.

The Board had previously made the decision that all SHAL’s borrowing should be at fixed interest rates. This means that the increase in interest rates seen in the financial year has not increased our historical borrowing costs. When we borrow new money to fund the development of new homes then the current high interest rates will impact the cost of this borrowing increasing interest payable.

SHAL’s commitment to development continued in the year with 4 homes in Curry Rivel and 15 homes in Wedmore completed in the year. SHAL also began construction of 16 homes in Watchet which are due for hand over in the next 18 months.

**FINANCIAL REVIEW**

The Statement of Comprehensive Income for the year ended 31 March 2023 and Statement of Financial Position as at the year ended 31 March 2023 are shown on pages 21–24. The key financial highlights are as follows:

- The surplus for the year was £694,050 (£379,221 – 2021/22)
- Fixed Assets at the 31 March stands at £49,581,649 (£46,323,897 – 2021/22)
- SHAL’s cash balance is £1,062,962 (£913,223 – 2021/22)

Stock (number of homes)	<b>2023</b>	<b>2022</b>	<b>2021</b>
Owned	767	749	750
Managed	1	1	1
Total number of homes	768	750	751
	<b>£’000</b>	<b>£’000</b>	<b>£’000</b>
Total operating surplus	1,345	1,008	1,314
Net Assets	27,596	26,902	26,523

SHAL Housing Limited  
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**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:

- 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 2022/23 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 2022 Sector Scorecard Metrics, published in November 2022, are the most recent metrics available at the date of signing the financial statements.

**VALUE FOR MONEY METRICS**

		2023	2022	2023	2022	2021
		Target	SSM	SHAL Actual	SHAL Actual	SHAL Actual
		%	%	%	%	%
<b>Business Health</b>	<b>A</b>					
Operating Margin		28	20	30	26	35
EBITDA MRI		150	182	191	181	276
<b>Development (Supply and Capacity)</b>	<b>B</b>					
<b>New supply delivered</b>						
Social Housing		3.0	1.2	2.5	0	5.1
Gearing		37	36	38	36	37
<b>Outcomes Delivered</b>	<b>C</b>					
Reinvestment		6.4	5.7	8.4	1.9	12.8
<b>Effective Asset Management</b>	<b>D</b>					
Return on capital employed		2.4	2.8	2.8	2.2	2.9
<b>Operating Efficiencies</b>	<b>E</b>					
Headline Social Housing cost per unit		£3,876	£4,230	£3,580	£3,515	£2,829



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**A - Business Health**

**Operating margin**

In 2022/23 SHAL's operating margin is 30% (SSM group average is 20%.) and is the Operating surplus (excluding the profit on the sale of housing properties) divided by the Turnover. The operating margin has increased to 30% due to the annual rental increase, building new homes and control of costs in an inflationary environment. 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. The Board made the decision to increase rents by 4.1% to provide funding for investment in existing properties and development. 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 increased to 191% (2022 181%) due to the higher operating margin above less SHAL's increased investment in energy efficiency improvements e.g. replacing failed cavity wall insulation in 14 homes. We expect EBITDA MRI to reduce 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 has negotiated revised EBITDA-MRI covenants with its lenders to ensure this increased energy efficiency investment to meet the 2030 EPC C target is sustainable. 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)**

In the year we completed 4 homes at Curry Rivel and 15 homes at Wedmore. We also commenced work on 16 homes in Watchet which are expected to complete in the next 18 months. SHAL's Board is committed to building new homes in Somerset for those who are homeless or in housing need balancing these costs with the costs associated with providing quality homes.

SHAL has £10m 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 additional homes for people who are homeless or in housing need. SHAL aims to increase its number of much needed homes by 4% over the next 3 years. 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.

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**C - Outcomes Delivered**

**Reinvestment**

	<b>2023</b>	<b>2022</b>	<b>2021</b>
Investment in Development			
New rented homes completed	19	-	38
4 Bed House	1	-	-
3 Bed House	-	-	10
2 Bed House	8	-	19
2 Bed Flat	-	-	3
1 Bed House	-	-	4
1 Bed Flat	10	-	2
Total investment in new homes	<u>£2,922,777</u>	-	<u>£5,675,077</u>
	<b>2023</b>	<b>2022</b>	<b>2021</b>
Planned Investment in our homes			
Kitchens	20	17	20
Bathrooms	20	23	7
Doors	54	10	47
Central Heating	33	44	43
Rewires	2	-	-
Windows, Facias and Gutters	3	-	7
Roofs	-	6	1
Fences	2	2	14
Photovoltaic panels	-	21	2
Air Source heat pumps	1	6	1
Internal insulation	-	4	-
Cavity Wall insulation	14	2	-
Loft and Roof insulation	11	-	-
Total investment in our homes	<u>£731,914*</u>	<u>£598,834</u>	<u>£430,137</u>

\*includes £190,574 of energy improvement measures through the Social Housing Decarbonisation Fund that is work in progress.



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**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 60% of our homes receiving a planned improvement.

**Return on capital employed %**

	2023	2022	2021
	%	%	%
	2.8	2.4	2.9

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**

	2023	2022	2021
	%	%	%
	99.1	99.5	99.2

**Stock turnover**

	2023	2022	2021
	%	%	%
	4.3	5.1	4.4

**E – Operating Efficiencies**

	Change	2023	Change	2022	Change	2021
	2023-2021	£		£		£
Headline social housing cost per home	27%	3,580	2%	3,515	24%	2,829
Management cost per home	13%	1,445	-10%	1,609	26%	1,276
Maintenance cost per home	5%	751	2%	735	3%	712
Major repairs cost per home	69%	1,309	19%	1,099	42%	773
Service charge cost per home	10%	75	4%	72	6%	68
	27%	3,580	2%	3,515	24%	2,829

The % change above includes CPI inflation for the year to March 23 10.1% (March 22 7.0%).

SHAL's social housing cost per home has increased to £3,580, (up 2% from 2022.) This is less than the SSM group's average of £4,230. The increase is caused by higher levels of capital expenditure on kitchens, bathrooms and energy efficiency improvements partially offset by the release of the office

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 REPORT OF THE BOARD OF MANAGEMENT  
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dilapidations provision from last years accounts which was negotiated down to a lower settlement value. Management costs per home have reduced 10% due to the release of the office dilapidations provision from last years accounts partially offset by increased staff costs resulting from investment in our maintenance team. Maintenance costs per home have marginally increased by 2%. Major repair costs per home increased by 19% due to higher levels of capital expenditure on kitchens, bathrooms and energy efficiency.

Tenant satisfaction with our maintenance service as reported following repairs undertaken remains consistently high at 96% in 2023.

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 £732k of planned investment in 2023. 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.

	2023	2022	2021
	%	%	%
Sickness	1.8	6.3	4.1
Colleague turnover	20	53	37

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.

Improvements to our colleague contracts and our recruitment approaches has led to a reduction in colleague sickness and turnover, although it is still higher than we would like.

	Change 2023- 2021	2023	Change	2022	Change	2021
				£	£	£
Headcount*	22%	22	10%	20	11%	18
Office	17%	7	-	7	17%	6
Maintenance	22%	11	10%	10	11%	9
Housing management	33%	4	33%	3	-	3
	22%	22	10%	20	11%	18

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

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SHAL recruited five maintenance operatives in the year. Our apprentice continues to support the existing team and recently completed their apprenticeship training. 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.

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

	2023	2022	2021
	%	%	%
Gross arrears (all tenants)	2.4	3.9	3.5
Gross arrears (non UC)	1.2	2.9	3.3
Gross arrears (UC)	3.5	4.9	3.7
Rent collected % of rent due	102	99	100
% of total current tenants claiming UC	52	49	44

**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 focused on transport, young people, tackling loneliness and improving health outcomes. This year SHAL has worked more intensively than ever with the Partnership through two colleagues to deliver successful projects. These colleagues are 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 faces. We consider key risks 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 homes to be EPC C by 2030 and carbon Net Zero by 2050;
- Responding to the changing Health and Safety and regulatory environment;
- The failure to protect and maintain the quality of organisational data reducing decision making effectiveness;
- The inability to recruit and retain employees to maintain quality of services;
- IT systems and data are compromised impacting operational effectiveness;

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, focusing on actions to bring risks within risk target.

#### 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 risks 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, with detailed scrutiny by the Finance, Audit and Risk Committee;
- 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.

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**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 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 2023/24 with higher interest rates and 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. The National Housing Federation's 2022 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.



SHAL Housing Limited  
STATEMENT OF BOARD RESPONSIBILITY  
For year ended 31 March 2023

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**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.

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

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STATEMENT OF BOARD RESPONSIBILITY  
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- 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 Social Housing 2022. 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 Limited will be made to the AGM.

  
James Gibson (Aug 4, 2023 11:32 GMT+1)

J Gibson  
Chair

Date: 04/08/2023



SHAL Housing Limited  
INDEPENDENT AUDITOR'S REPORT  
For year ended 31 March 2023

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**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 2023 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 2023 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 2022.

**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 2023

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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 pages 15-16, 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 2023

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- 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 2022, 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](http://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 2023

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**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 7, 2023 14:44 GMT+1)

**CLA Evelyn Partners Limited**  
Statutory Auditor  
Chartered Accountants

Date: 07/08/2023

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

SHAL Housing Limited  
 STATEMENT OF COMPREHENSIVE INCOME  
 For year ended 31 March 2023

		2023	2022
	Notes	£	£
<b>TURNOVER</b>	2	<b>4,131,114</b>	<b>3,941,242</b>
Cost of Sales		(52,000)	(139,892)
Operating costs		(2,854,297)	(2,808,698)
Profit on sale of Housing properties and other fixed assets		119,891	15,046
<b>OPERATING SURPLUS</b>		<b>1,344,708</b>	<b>1,007,698</b>
Interest receivable and similar income		6,153	104
Interest payable and similar charges	7	(656,811)	(628,581)
<b>SURPLUS ON ORDINARY ACTIVITIES BEFORE AND AFTER TAXATION</b>		<b>694,050</b>	<b>379,221</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>694,050</b>	<b>379,221</b>

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 2023

	Share Capital	Income and expenditure reserve	Revaluation reserve	Total
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)	-
Shares Issued	-	-	-	-
Balance as at 1 April 2022	41	18,743,295	8,159,042	26,902,378
Surplus from the statement of comprehensive income for the year	-	694,050	-	694,050
Transfer from revaluation reserve to income and expenditure reserve	-	109,604	(109,604)	-
Property disposal transfer from revaluation reserve to income and expenditure reserve	-	10,433	(10,433)	-
Balance as at 31 March 2023	41	19,557,382	8,039,005	27,596,428

SHAL Housing Limited  
 STATEMENT OF FINANCIAL POSITION  
 For year ended 31 March 2023

		2023	2022
	Notes	£	£
<b>FIXED ASSETS</b>			
Housing properties	8	49,557,377	46,288,160
Other fixed assets	10	24,272	35,737
		49,581,649	46,323,897
<b>CURRENT ASSETS</b>			
Stock		-	7,232
Properties for sale	11	-	31,318
Debtors	12	309,628	299,752
Cash at bank and in hand		1,062,962	913,223
		1,372,590	1,251,525
<b>CREDITORS</b>			
Amounts falling due within one year	13	(2,199,864)	(1,854,701)
		(827,274)	(603,176)
<b>NET CURRENT LIABILITIES</b>			
<b>CREDITORS</b>			
Amounts falling due after more than one year	14	(21,157,947)	(18,818,343)
		27,596,428	26,902,378
<b>NET ASSETS</b>			
<b>CAPITAL AND RESERVES</b>			
Called up share capital	16	41	41
Income and expenditure reserve		19,557,382	18,743,295
Revaluation reserve		8,039,005	8,159,042
<b>TOTAL FUNDS</b>		27,596,428	26,902,378

SHAL Housing Limited  
STATEMENT OF FINANCIAL POSITION  
For year ended 31 March 2023

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The financial statements were approved by the Board on \_\_\_\_\_ and signed on its behalf by  
04/08/2023

James Gibson  
James Gibson (Aug 4, 2023 11:32 GMT+1)

Chair: Mr J Gibson

Angela Gascoigne  
Angela Gascoigne (Jul 27, 2023 17:10 GMT+1)

Secretary: Mrs A Gascoigne

Kathy James  
kathy James (Aug 4, 2023 11:34 GMT+1)

Chair Finance, Audit & Risk: Ms K James

Neil Allan  
Neil Allan (Jul 27, 2023 16:55 GMT+1)

Finance Director: Mr Neil Allan



SHAL Housing Limited  
 STATEMENT OF CASHFLOWS  
 For year ended 31 March 2023

		2023	2022
	Notes	£	£
<b>NET CASH GENERATED FROM OPERATING ACTIVITIES</b>	I	2,146,367	1,945,455
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Acquisition, construction and works to housing properties		(4,125,470)	(874,771)
Grants received		100,504	94,169
Sale property		179,230	85,000
Purchase of other fixed assets		(4,203)	(24,903)
Interest received		6,153	104
<b>Net cash used in investing activities</b>		<b>(3,843,786)</b>	<b>(720,401)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Issue of shares/cancel of shares		-	-
New Loans		3,500,000	2,500,000
Repayment of borrowings		(1,000,000)	(3,046,164)
Interest paid and similar charges		(652,842)	(557,183)
Loan arrangement fees		-	(156,755)
<b>Net cash inflow from / (used in) financing activities</b>		<b>1,847,158</b>	<b>(1,260,102)</b>
<b>INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>149,739</b>	<b>(35,048)</b>
Cash and Cash Equivalents at beginning of year	II	913,223	948,271
Cash and Cash Equivalents at end of year	II	1,062,962	913,223

SHAL Housing Limited  
NOTES TO THE STATEMENT OF CASHFLOWS  
For year ended 31 March 2023

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

	<b>2023</b>	<b>2022</b>
	<b>£</b>	<b>£</b>
Operating surplus for the year	1,344,708	1,007,698
Depreciation	802,584	772,888
Amortisation of grant income	(29,147)	(26,495)
Profit on disposal of fixed assets	(119,891)	(15,045)
Decrease /(increase) in stock	7,232	(7,232)
Decrease in properties for sale	31,318	105,694
(Increase) / decrease in debtors	(21,796)	50,452
Increase in creditors	131,359	57,495
<b>NET CASH GENERATED FROM OPERATING ACTIVITIES</b>	<b>2,146,367</b>	<b>1,945,455</b>

**II CASH AND CASH EQUIVALENTS**

	<b>2023</b>	<b>2022</b>
	<b>£</b>	<b>£</b>
Cash at bank and in hand	1,062,962	913,223

**III Analysis of changes in Net Debt**

	At 1 April 2022	Cashflows	Other non- cash changes	At 31 March 2023
	£	£	£	£
Cash	913,223	149,739	-	1,062,962
Total cash and cash equivalents	913,223	149,739	-	1,062,962
Bank borrowings within one year	(996,966)	1,000,000	(1,198,947)	(1,195,913)
Bank borrowings due in more than 1 year	(16,200,625)	(3,482,049)	1,198,947	(18,483,727)
Total borrowings	(17,197,591)	(2,482,049)	-	(19,679,640)
Net Debt	(16,284,368)	(2,332,310)	-	(18,616,678)

SHAL Housing Limited  
NOTES TO THE FINANCIAL STATEMENTS  
For the year ended 31 March 2023

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**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 2022. 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 statements 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 2023

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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 2023 was £217,720 (2022: £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 2023

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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 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 over the following useful economic lives:

Structure	80-110 years
Roofs	30-50 years
Kitchens	20 years
Bathrooms	30 years
Windows and Doors	30-40 years
Re-wiring	30 years
Central Heating	15 years
Fences	10 years
Fascias and Guttering	20 years
Sewerage Systems	30 years
Roof, Loft and Internal insulation	40 years
Air Source Heat Pumps	15 years
Cavity Wall insulation	25 years

Freehold land is not depreciated.

SHAL Housing Limited  
NOTES TO THE FINANCIAL STATEMENTS  
For year ended 31 March 2023

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**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 useful economic lives. SHAL depreciates over the following useful economic lives:

Furniture, fixtures and fittings	5 years
Computer equipment	3 years
Vehicles and Plant	5 years

**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 2023

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**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 2023

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**

	<b>2023</b>	<b>2022</b>
	<b>£</b>	<b>£</b>
<b>General Needs Housing:</b>		
Rent receivable net of identifiable service charges	3,875,977	3,697,232
Service Charge Income	33,002	33,848
Shared Ownership initial sales	102,000	171,000
Amortisation of Capital Grants	29,147	26,495
Other Income	90,988	12,667
	<u>4,131,114</u>	<u>3,941,242</u>
<b>Cost of Sales</b>		
Shared Ownership initial sales	(52,000)	(139,892)
	<u>(52,000)</u>	<u>(139,892)</u>
<b>Operating costs</b>		
Social housing activities expenditure	(2,854,297)	(2,808,698)
	<u>(2,854,297)</u>	<u>(2,808,698)</u>
<b>Profit on sale of Housing properties and other fixed assets</b>	119,891	15,046
Operating Surplus from Social Housing Activities	<u>1,344,708</u>	<u>1,007,698</u>
Net Surplus from Social Housing Activities	<u>694,050</u>	<u>379,221</u>
Rent losses from voids	<u>(28,867)</u>	<u>(26,411)</u>

SHAL Housing Limited  
 NOTES TO THE FINANCIAL STATEMENTS  
 For year ended 31 March 2023

**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:

	2023 No.	2022 No.
Office	7	7
Maintenance	11	10
Housing management	4	3
	22	20
	£	£
Wages & Salaries	726,237	610,076
Social security costs	75,778	58,602
Other pension costs	40,683	35,870
	842,698	704,548

**EMOLUMENTS OF HIGH PAID EMPLOYEES**

	2023 FTE	2022 FTE
£60,001 – £70,000	-	-
£70,001 – £80,000	1	1
£80,001 – £90,000	-	-
£90,001 – £100,000	1	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 £	2023 Total £	2022 Total £
Members of the Senior Management Team	156,732	11,370	12,837	180,939	174,247

The emoluments of the highest paid director excluding pension contributions were £94,516 (2022: £90,807). 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 £179 (2022: £81) in the year.

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**5. SURPLUS ON ORDINARY ACTIVITIES**

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

	<b>2023</b>	<b>2022</b>
	<b>£</b>	<b>£</b>
Auditors Remuneration:		
Audit fees	23,130	14,200
Depreciation of Housing Properties	786,916	756,604
Depreciation of other Fixed Assets	15,668	16,284
Profit on disposal of Housing Properties and other fixed assets	119,891	15,045

**6. TAXATION**

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

**7. INTEREST PAYABLE AND SIMILAR CHARGES**

	<b>2023</b>	<b>2022</b>
	<b>£</b>	<b>£</b>
On bank loans	566,186	485,029
Amortisation of loan issue costs	12,909	113,705
Other funding/finance costs	77,716	29,847
	<u>656,811</u>	<u>628,581</u>



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8. TANGIBLE FIXED ASSETS – Housing Properties

	Housing properties held for letting £	Shared ownership properties	Housing properties for letting under construction £	Total housing properties £
<b>Cost or deemed cost</b>				
At 1 April 2022	50,631,116	258,799	338,534	51,228,449
Additions	-	-	3,393,555	3,393,555
Transfer to completed properties	2,792,777	78,000	(2,870,777)	-
Property disposal	(67,538)	-	-	(67,538)
Component disposal	(23,700)	-	-	(23,700)
Works to existing properties (component replacement)	731,914	-	-	731,914
At 31 March 2023	54,064,569	336,799	861,312	55,262,680
<b>Depreciation:</b>				
At 1 April 2022	4,936,598	3,691	-	4,940,289
Property disposal	(6,336)	-	-	(6,336)
Component disposal	(15,566)	-	-	(15,566)
Depreciation charge for the year	784,209	2,707	-	786,916
At 31 March 2023	5,698,905	6,398	-	5,705,303
<b>Net book value:</b>				
At 31 March 2023	48,365,664	330,401	861,312	49,557,377
At 31 March 2022	45,694,518	255,108	338,534	46,288,160

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

	2023 £	2022 £
Cost	47,695,699	43,649,725
Aggregate depreciation	(6,177,327)	(5,520,606)
Depreciated cost	41,518,372	38,129,119

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8. TANGIBLE FIXED ASSETS – Housing Properties (continued)

ACCOMMODATION IN MANAGEMENT

	2023	2022
	No	No
Housing accommodation stock – social housing general needs:		
Social rents	661	659
Affordable rents	102	87
Shared Ownership	4	3
Social Housing Owned	767	749
Managed on behalf of others	1	1
At 31 <sup>st</sup> March 2023	768	750
Weighted average for the year	754	751

9. HOUSING PROPERTIES AND OTHER FIXED ASSET DISPOSAL

	2023	2022
	£	£
Sale Proceeds	189,230	85,000
Less Carrying Value	(61,202)	(51,954)
Less Recycled Capital grant	-	(15,232)
Profit on disposal of housing property	128,028	17,814

The loss on the disposal of fixed asset housing property components was £8,137 (2021: loss £2,754) and the loss on disposal of other fixed assets was £nil (2021: loss £15.)

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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 2022	30,526	45,914	168,477	244,917
Additions	336	922	2,944	4,202
Disposals	-	-	-	-
As at 31 March 2023	<u>30,862</u>	<u>46,836</u>	<u>171,421</u>	<u>249,119</u>
Depreciation:				
At 1 April 2022	6,204	44,117	158,859	209,180
Charge for the year	5,304	2,349	8,015	15,668
Released on Disposal	-	-	-	-
At 31 March 2023	<u>11,508</u>	<u>46,466</u>	<u>166,873</u>	<u>224,847</u>
Net book value:				
At 31 March 2023	<u>19,354</u>	<u>370</u>	<u>4,548</u>	<u>24,272</u>
At 31 March 2022	<u>24,322</u>	<u>1,797</u>	<u>9,618</u>	<u>35,737</u>

**11. PROPERTIES FOR SALE**

	2023 £	2022 £
Shared ownership initial sales:		
Cost of units under development	-	31,318
	<u>-</u>	<u>31,318</u>



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**12. DEBTORS**

	<b>2023</b>	<b>2022</b>
	<b>£</b>	<b>£</b>
Rental and service charges receivable	142,095	184,683
Provision for bad debts	(72,556)	(65,065)
Net rental and service charges receivable	69,539	119,618
Other debtors	157,697	113,101
Provision for bad debt - other	(145,164)	(82,790)
Prepayments and accrued income	227,556	149,823
	<u>309,628</u>	<u>299,752</u>

**13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>2023</b>	<b>2022</b>
	<b>£</b>	<b>£</b>
Housing loans	1,195,913	996,966
Rents in advance	109,457	77,397
Trade creditors	267,031	207,361
Other creditors	135,793	104,239
Local Trust	99,993	101,739
Accruals and deferred income	350,463	323,942
Deferred capital grant (note 17)	25,982	27,825
Recycled capital grant fund (note 18)	15,232	15,232
	<u>2,199,864</u>	<u>1,854,701</u>

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

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

	<b>2023</b>	<b>2022</b>
	<b>£</b>	<b>£</b>
Housing loans	18,483,727	16,200,625
Deferred capital grant (note 17)	2,674,220	2,617,718
	<u>21,157,947</u>	<u>18,818,343</u>

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**15. BORROWINGS**

**Housing Loans**

All housing loans are secured by a charge on the assets of the Association. £6.8m of loans are fixed at 3.26% of interest terminating in October 2027 and £13.0m of loans are fixed between 2.32% and 5.55% of interest terminating in 2046. At the 31 March 2023 SHAL has £10.0m of undrawn loan facilities (2022: £13.5m). 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 has follows:

	<b>2023</b>	<b>2022</b>
	<b>£</b>	<b>£</b>
Amounts payable:		
Within one year	1,195,913	996,966
Over one year and up to two years	1,195,788	1,196,892
Over two years and up to five years	5,068,078	4,145,128
Over five years	12,219,861	10,858,605
	<u>19,679,640</u>	<u>17,197,591</u>
Due within one year	1,195,913	996,966
Due after more than one year	18,483,727	16,200,625
	<u>19,679,640</u>	<u>17,197,591</u>

**16. CALLED UP SHARE CAPITAL**

	<b>2023</b>	<b>2022</b>
	<b>£</b>	<b>£</b>
Allocated, called up and fully paid shares of £1	41	41
	<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.

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**17. DEFERRED CAPITAL GRANT**

	<b>2023</b>	<b>2022</b>
	<b>£</b>	<b>£</b>
At 1 April 2022	2,645,543	2,577,870
Grant received in the year	83,805	94,168
Released to income in the year	(29,146)	(26,495)
At 31 March 2023	<u>2,700,202</u>	<u>2,645,543</u>
Amounts to be released within one year	25,982	27,825
Amounts to be released in more than one year	<u>2,674,220</u>	<u>2,617,718</u>

The grants received in the year were through the Local Authority Delivery 1A and 1B £66,793 (2022: £77,671), Social Housing Decarbonisation Fund £17,012 (2022: £nil) and the Renewable Heat Incentive scheme £nil (2022: £16,497.)

**18. RECYCLED CAPITAL GRANT FUND**

	<b>2023</b>	<b>2022</b>
	<b>£</b>	<b>£</b>
Opening balance	15,232	-
Grants recycled	-	15,232
Closing balance	<u>15,232</u>	<u>15,232</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 2023 the Association had annual future minimum lease payments as follows:

	<b>Land and buildings</b>		<b>Other</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Within one year	12,060	12,060	28,683	8,609
Within two to five years	31,155	43,215	19,055	-
	<u>43,215</u>	<u>55,275</u>	<u>47,738</u>	<u>8,609</u>



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**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).

**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 £3,604,143 (2022 - £2,639,642) capital expenditure that has been contracted for but not provided for and £nil (2022 - £nil) 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 2 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 £1,225 (2022 - £1,192.) SHAL wrote off the balance owed by SHMS at the year end of £909 as SHMS had ceased providing management services. The amount owed by SHMS at the year end was £nil (2022 : owed by SHMS £1,020.) SHMS made a profit in the year £1,020 (2022 – profit £44) 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.