Financial statements

For the year to **31 March 2016**

Transform Housing & Support is the operating name of Surrey Community Development Trust

Registered Provider H2452

Registered Charity 264133

Company Limited by Guarantee Registered in England 01057984

Contents

Company details

Company name	Transform Housing & Support is the operating name of Surrey Community Development Trust
Company number	01057984
Charity number	264133
Registered Provider number	H2452
Registered office	Bradmere House Brook Way Leatherhead Surrey KT22 7NA

Contact details

Telephone	01372 387100
Email	info@transformhousing.org.uk
Website	www.transformhousing.org.uk

Advisors

External auditors

Nexia Smith & Williamson
25 Moorgate, London EC2R 6AY

Internal auditors

TIAA Ltd
Business Support Centre, 53-55 Gosport Business Centre, Aerodrome Road, Gosport, Hampshire PO13 0FQ

Bankers

Barclays Bank PLC
1 Churchill Place, Canary Wharf, London E14 5HP

Solicitors

Devonshires
30 Finsbury Circus, London EC2M 7DT

Our people

Royal Patron

HRH The Countess of Wessex GCVO

Patrons

Dame Sarah Goad DCVO JP
Lord-Lieutenant of Surrey
(Retired August 2015)

The Rt Hon Baroness Bottomley of Nettlestone JP DL

Professor Patrick J Dowling CBE DL FREng FRS

David Hypher OBE DL BSc

Dame Penelope Keith DBE DL

Michael More-Molyneux DL
Lord-Lieutenant of Surrey
(Appointed August 2015)

Lynne Owens QPM
Chief Constable, Surrey Police
(Resigned January 2016)

Professor Sir Christopher Snowden FRS FREng FIET FIEEE FCGI
Vice-Chancellor, University of Surrey
(Resigned September 2015)

Sir Richard Stilgoe OBE DL

The Rt Revd Andrew Watson
Bishop of Guildford
(Appointed June 2015)

Directors

David Turner Hon DSc FRICS
Chairman

Elizabeth Kennedy FCIPD
Vice Chairman

David Steeds MA FCA
Vice Chairman, and Chairman of the Finance & Audit Committee
(Resigned February 2016)

Mark Austen FCMA
(Appointed November 2015)

Jane Bolton BA (Hons) FCIH

Amanda Colman BCom
Chairman of Fundraising Committee (from November 2015)

Christopher Deacon BSc (Hons) MSc
Chairman of Finance & Audit Committee (February to April 2016)

Stephen Drury MA

Lee Harris

Robert Mills BA (Hons) MCIH

David Parmee BSc FIA
(Resigned July 2015)

Christopher Relleen BSc FCA
Chairman of Finance & Audit Committee (from May 2016)
(Appointed November 2015)

Bernard Stevens FCA FCMA
(Retired September 2015)

Jane Williams FCIPD Cert IOD AIOL
Chairman of Nominations Committee (from April 2016)

Executive Team

Paul Mitchell BA (Hons) ACA
Chief Executive

Andrea Cannon BA (Hons) FCIH
Director of Client Strategy & Delivery

Ratna Sukumaran ACMA
Director of Finance, Company Secretary

Senior Management Team (includes Executive Team)

David Hulme BA (Hons)
Area Manager, Surrey Central and Wokingham

Viccy Johnson
Area Manager, Surrey South

Asif Khan LLB
Asset & Maintenance Manager

Eleanor March
Communications and Fundraising Manager
(Resigned May 2016)

Steven Moore
Area Manager, Surrey North and Sutton

Peter Riggs FCCA
Finance Manager

Marisa Taylor Chartered MCIPD
Human Resources Manager

Strategic report

Executive summary

The year to 31 March 2016 was full of challenges with a difficult and worsening external environment for Supported Housing; despite this Transform had a very good year and made significant progress. Transform's **overriding objective** set in the year was to **help more and more people** and **we supported 13.3% more people than in the previous year**.

Achievements and performance

The key highlights of the year

- The year 2015/16 has seen a strong performance demonstrated by the following:
- **Helping more clients** – the number of clients helped during the year was 139 more than the previous year, including a number of homeless family groups.
- **Client outcomes** – we achieved excellent client outcomes and client satisfaction levels (see inset boxes below).
- **Tackling homelessness** – we increased our contribution to tackling homelessness in Surrey, including the provision of temporary accommodation for eight families in Epsom & Ewell, a new partnership project for housing four homeless people in Elmbridge and, for a third year, running a winter shelter, this time based in Spelthorne, for ten homeless people from three Surrey boroughs.
- **Meeting more challenging needs** – we are rising to the challenge of accommodating and supporting people with much higher needs on average than a year or two ago, with many needing help to address chaotic lifestyles, drug and alcohol misuse, poor mental health and factors associated with homelessness.
- **A resilient financial performance** – we achieved 4% turnover growth, resulting in an overall surplus of £549k (8% net margin), which improved financial viability, despite challenging economic conditions for supported housing providers; the surplus, after loan repayments and long term maintenance, is to be invested in new housing.
- **Merger opportunity** – after a robust due diligence process, we submitted a business case to the Homes & Communities Agency to approve the Transfer of Engagements from Cherchefelle Housing Association to Transform; we are delighted at the progress to date, albeit there have been delays caused by uncertainties around future funding for supported housing. Cherchefelle provides housing, support and care for 800 people a year.
- **Development programme** – we completed four schemes adding 16 units to the much needed housing in Hersham and Leatherhead, with 12 more flats under construction at the year end, and £3m invested in housing for vulnerable and homeless people during the year.
- **Fundraising outcome** – we generated record income from our fundraising activity of £296k (including £32k to support the winter shelter project). This has enabled several new housing projects to be secured, as well as supporting the winter shelter, providing a life skills training unit for young people and assisting clients when they move on with furniture and equipment to help secure their independence.

Client satisfaction

Our 2016 **client satisfaction survey** results show:

97.4%
of clients are satisfied with the quality of service

(2015: 96.6%)

99.2%
of clients are satisfied with advice and support

(2015: 98.3%)

Introduction

Transform Housing & Support provides specialist accommodation and support services for homeless and vulnerable people, helping clients to improve their lives, and has provided this service for over 40 years.

Objectives

Our **mission** is to provide housing and support for homeless, vulnerable and excluded people, empowering them to reach their goals and live independent and fulfilling lives.

Our business plan identifies the following five strategic objectives:

- **Impact** – continually strive for better outcomes for clients
- **Sustainable growth** – help more people year on year
- **Financial viability** – broaden our support funding base across the public sector, other institutions and individuals
- **Value for money** – drive efficiency and improve service quality
- **Innovation** – introduce new, cost-effective services that complement existing activities

Plus a headline objective of:

- To become the housing provider of choice in our target areas of operation, helping more and more homeless, vulnerable and excluded people to lead independent and fulfilled lives

Client outcomes

We have helped 1,184 vulnerable clients during the year. The numbers supported show an increase of 139 over the previous year, a 13.3% increase, meeting a key objective of helping more people each year. Our support helps clients to address the issues they face, gain life skills, and improve their health and wellbeing, whilst building up confidence. During the year 366 clients in our accommodation-based services moved on and of these 74% moved on in a planned way, a very positive achievement, in view of the high levels of need of those accepted into our services.

During the year, against a backdrop of on-going financial constraints, our priority has been to continue to provide high quality accommodation and support to our clients. Our clients, in the main of working age, have faced severe financial strictures as a result of cuts to benefits, and a sanctions regime which is a struggle for those who find it difficult to find and retain employment, for example as a result of mental ill health. Our front line staff have spent an enormous amount of time in supporting people to make a fresh start in their lives, to be able to sustain independent living and to make a positive contribution to their communities.

The **2016 exit questionnaires** completed by our clients show that of those people who moved on:

- **98%** were satisfied or very satisfied with the **quality of our housing**
- **98%** were satisfied or very satisfied with the **quality of the support** that we provide
- **100%** felt that Transform gave them **opportunities to air their opinions** and assisted them to get involved in what we do

A survey of **client economic activity** carried out in April 2016 showed that since receiving support from Transform:

- Clients in employment, education or voluntary work increased by 71%
- Clients in full or part time work had increased by over 40%

Our 2016 **client satisfaction survey** showed that 97% of clients were satisfied with the way Transform involves them in decisions that affect them.

Our **long term monitoring survey** of former clients completed at the end of 2015 showed that:

- 90% of the skills and abilities developed through the support provided by Transform had been successfully maintained once they had moved on
- 96% continued to identify improvements in their happiness, security, confidence, community involvement, independence and self-respect
- 100% were still living in settled accommodation

- 100% felt that the support that they had received from Transform helped them to improve their general quality of life.

Operating environment

Alongside other supported housing providers, we continue to face a cocktail of financial pressures. Three main Government budgetary announcements in 2015/16 caused unexpected challenges, not just for Transform but across the supported housing sector:

Reduction of social housing rents by 1% for four years from April 2016. This was deferred by one year for supported housing providers, pending the publication of a DWP report concerning future funding for supported housing.

Capping social housing rents to Local Housing Allowance from April 2018. It was initially announced that this would affect tenancies from April 2016 but, for supported housing, to impact on tenancies from April 2017.

Pressure on support income from local authorities as they face funding cuts from central government. This led Surrey County Council to announce its review of contract values mid-year 2016/17.

Transform has been working with the National Housing Federation and other supported housing providers to influence Government and ease this cocktail of announced cuts, which has had the unintended consequence of putting the future of supported housing at risk and stopping new development in its tracks and, at the time of writing, we are awaiting an announcement of the direction of travel for the funding of supported housing.

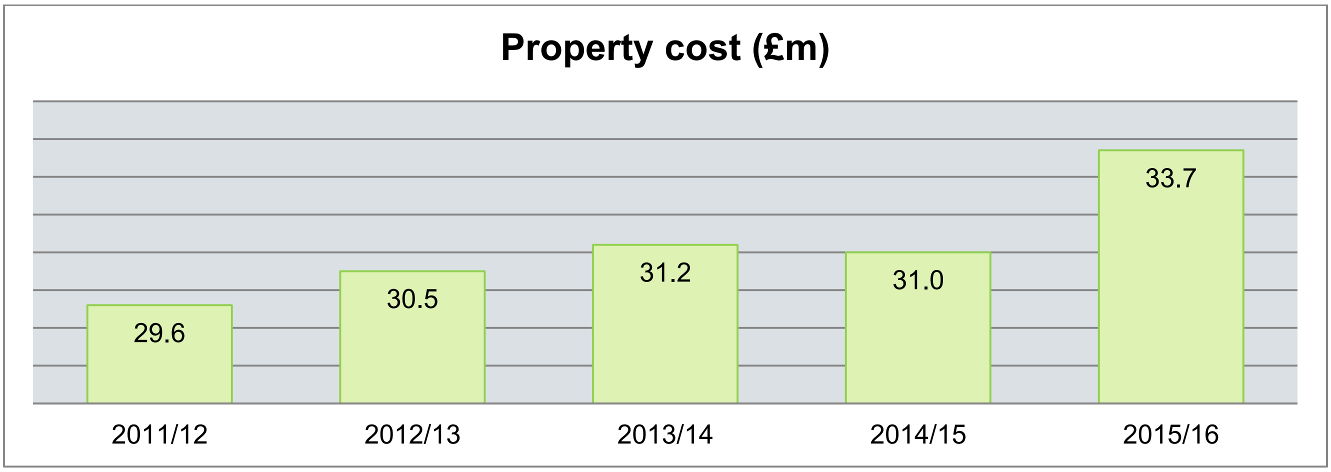
Financial review

We have adopted the FRS 102 Accounting Standard for the first time in preparing the financial statements for this year and therefore needed to restate the comparative figures and the opening reserve balances. These are shown in Note 25 on page 34. The five year summary below also shows the restated position.

The Statement of Comprehensive Income on page 17 shows a surplus of £549k for the year (2015: £736k or £575k excluding surplus on disposal property plant and equipment). The key variances in turnover and costs can be explained by the increased rental income from the additional units handed over, reduction in Wokingham floating support contract and the increased staff costs. During the year the Greater London Authority (GLA) confirmed that the grant liabilities on two long expired property leases are not repayable and therefore the unamortised amount of the grant (£111k) has been taken into the statement of comprehensive income increasing the overall surplus.

Five year financial summary					
	Under FRS 102		Under old UK GAAP		
Statement of comprehensive income	**2015/16 £000s**	**2014/15 £000s**	**2013/14 £000s**	**2012/13 £000s**	**2011/12 £000s**
Turnover	6,565	6,316	6,405	6,597	6,385
Operating Costs	(5,691)	(5,430)	(5,411)	(5,891)	(5,598)
Operating Surplus	874	886	994	706	787
Surplus on property disposal		161			
Net Interest Cost	(325)	(311)	(332)	(316)	(323)
Surplus for the year	549	736	662	390	464
Statement of financial position					
Property Assets (net book value)	33,731	31,031	31,252	30,518	29,650
Net Current Assets	965	2,845	3,040	3,494	4,202
	34,696	33,876	34,292	34,012	33,852
Loans & Long term liabilities	19,425	19,154	21,714	22,095	22,328
Reserves	15,271	14,722	12,578	11,917	11,524
	34,696	33,876	34,292	34,012	33,852
Number of Housing Units	616	590	599	604	599
Number of Clients managed	1,184	1,045	1,117	1,035	1,092
Performance indicators					
Operating Margin	13%	14%	16%	11%	12%
Net Margin	8%	12%	10%	6%	7%
Interest Cover	274%	343%	288%	197%	247%
Gearing	28%	31%	35%	38%	38%
Voids	8%	6%	7%	6%	6%
Debt per unit (£000's)	32	32	36	37	37
Reserve per unit (£000's)	25	25	21	20	19

The five-year financial summary below shows a strengthening financial viability of the business. Our annual surplus is re-invested in property assets to provide homes for a growing number of vulnerable people who need accommodation. This is reflected in the graph below with increasing property assets values year by year.



Our long term business plan shows that we are able to manage our properties and our loan commitments in the long term and the financial viability of the business is strong in the short, medium and long term.

Main strategies and policies

Business strategy

Our strategy is to provide a value added service to the vulnerable clients that we support and house. We aspire to help more and more people each year and to help them develop new skills and confidence so that they are able to live independently. The Board reviews our strategy annually, updating it in the light of the changing political and regulatory environment.

Growth strategies – merger

We have actively pursued growth strategies - organic growth and merger - to achieve our strategic objectives. During the year we identified a good fit with another supported housing provider, Cherchefelle Housing Association. Cherchefelle is a little older than Transform and there is a strong cultural synergy between the two organisations, in terms of our values and approach. We were very pleased that the two organisations, both with operations in Surrey and nearby authorities, have complementary skills and activities, meaning that we were able to agree early in our discussions that there is no need for compulsory redundancies.

Cherchefelle provide housing management, supported housing, supported living and home based care for adults in Surrey, West Sussex and London Borough of Richmond. It manages around 195 units with an asset value of £10m and an annual turnover of £2.8m generating a small surplus of £60k. We have completed comprehensive due diligence and are comfortable that the combined organisation adds value and financial strength to Transform. The combined organisation will have annual turnover of around £10m, an annual surplus of around £800k and £43m of asset value, improving both financial viability and value for money. The expected merger date is 30 September 2016, subject to agreement from the Homes & Communities Agency and registration with the Care Quality Commission.

Financial strategy

Our core objective is to ensure that the financial viability of each of our properties and services is maintained. Similar to other supported housing providers we are funded by our rents, with a high proportion of our clients reliant on housing benefit and also housing related support funding. As previously indicated, both these funding streams are vulnerable to government austerity cuts and so we are always seeking ways to enhance the efficiency of our operations and to achieve cost savings. We operate strong financial management and operational management policies. Our Senior Management Team and the Board regularly review our financial and operational key performance targets to manage the business.

Our Treasury Policy ensures that there is adequate funding available to support our development programme and the excess cash balances are invested appropriately in short and medium term bank deposits to ensure liquidity and also to maximise interest income.

Our loan facility with Barclays is fully drawn and we have a repayment programme in place. The loan balance at the end of the financial year was £7.9m. A high proportion of our debts are secured on fixed interest rates. The Board is currently considering significant development schemes that would require additional loan funding and we are likely to be seeking an additional borrowing facility in the next year.

Reserve policy

Our balance sheet as at the year-end show a strong reserve position (£15.3m), providing good financial viability and is looked upon favourably by our lenders. Our business plan ensures that our annual income exceeds the expenditure, further strengthening the reserve balances. Our strategy is for cautious expansion and we therefore aim to hold sufficient reserves to be able to support future borrowings.

Value for money

Our value for money approach

We have developed a value for money strategy to ensure that we achieve optimum use of our key resources (properties, staff and finances) and to deliver the best possible outcome for our clients, maximising client satisfaction and optimising performance, leading to improved business viability.

Our strategic approach ensures that value for money is fully embedded across the organisation and strategic objectives cascade from the Board and the Executive Team to the frontline staff through service plans, team plans and individual plans. We are keen to ensure that each member of staff fully understands their role in delivering the value for money strategy and how their contribution supports the overall business performance. The value for money strategy provides a good link between other strategies and incorporates asset management, financial management, human resources and growth plans and runs as a common thread across the organisation.

Our approach to value for money is as follows:
- Improving our performance and outcomes
- Increasing client satisfaction
- Managing down the cost of our services.

Mark's story

I started using drugs and alcohol from a very early age. Even then, I was drinking until I blacked out. By the time I was 28, I was using and dealing. It was like being dead inside. I didn't care about anybody or anything, only where the next drink or drug was coming from.

Things reached a real low when I committed a serious assault during a drink and drug fuelled blackout. I narrowly avoided prison and instead I was sectioned. I was horrified by what I'd done and I realised I needed urgent help. For the next 10 years I went through a cycle of treatment and relapse, drinking nine litres of strong cider every day and using heroin. Eventually I became homeless.

It all changed for me on Christmas Day 2011 when I was street homeless and begging in London. I decided to phone my daughter and our conversation helped me realise I had to change my life once and for all. I went to rehab at first, but I realised I needed long term support if my recovery was going to last. It was then that I moved to Transform.

This was a turning point, I totally committed to my recovery. I went to AA meetings every day and had one-to-one meetings with Transform staff. Eventually I moved onto lower support housing with Transform and I've now been clean from alcohol and drugs for almost four years.

Now I'm an AA sponsor and have been a peer mentor to patients in rehab. I love it at Transform – there is nothing like it. They have helped me to find myself.

The process of managing corporate resources has become particularly important in recent years, as local authorities have been forced to cut their housing-related support grant funding in the wake of the recession and cuts in central government funding. We have sought to make economies to offset the significant ongoing cuts in funding, particularly since April 2009 when the funding was no longer ring-fenced or protected. Competition for contracts has forced prices down and we have needed to find ways of reducing costs while maintaining service quality. Value for money has therefore been an essential part of our operations.

Our Value for Money delivery is reviewed by the Executive Team and the Board and a detailed Value for Money self-assessment is published on our website **www.transformhousing.org.uk**.

The following summarises our self-assessment for 2016.

- Client outcomes have been excellent despite the increasingly difficult operating environment and the tangible increase in client needs.
- Improved client wellbeing (over 95% of clients feeling happier, more secure, more confident and able to cope with life events), as shown by exit questionnaires.
- Our weekly operating cost per unit - £176 - is shown to reduce continually and compares well against a selected benchmark of similar supported housing providers.
- Our return on our property assets was 5.2% (2015: 4.6%).
- The value for money gain achieved for 2015/16 was £221k (£127 of support savings and £94k of maintenance savings) representing 3.9% of the annual operating costs.
- Future value for money gain expectations is 3% of the annual operating costs. The planned merger is expected to deliver a further £1m of savings in operating costs over the next five years and the potential delivery of an additional 43 development units in the same period.

Risk management

Each year the Board reviews and approves the risk management process and the risk register showing the significant risks facing the organisation. The key risks facing Transform at the year-end were as follows:

- Political changes – this is in respect of the proposed social rent cuts of 1% a year, combined with capping rents to Local Housing Allowance (LHA) levels as already described. If implemented in full, this would make all Transform's hostel and shared housing accommodation unviable, unless mitigated. It could even trigger impairment issues on some of our properties. Hence the intensive lobbying that has taken place, which has led to optimism that the Government will act to mitigate the impact of their proposals across the country (see below).
- Housing related support funding is heavily reliant on the funding from Surrey County Council (85%) and the financial challenges faced by the County are a concern. We have been working closely with the County to try and mitigate the shared risks that we face.
- Reputational risk arising from any safeguarding incidence or any other significant breach.
- Recruitment and retention of key staff.
- Data security risks.

Transform's Executive Team and the Board have taken an active role in working with the National Housing Federation to explain the impact of the proposed LHA cap on supported housing to the government. We have also been actively lobbying our case with local Members of Parliament. It is expected that the local authority funding on housing related support is expected to suffer significant cuts from 2016/17 onwards and, if it is combined with the LHA cap, will significantly affect the future surplus. We have developed action plans to mitigate these risks and also when the multiple risks affect us. The Board has reviewed these, and is comfortable with the rescue plan that can be implemented in such a situation.

Public benefit entity

Transform's aims, objectives and activities demonstrate public benefit, as defined by the Charity Commission. The Board ensures that all our planned activities meet the aims that we have set. Our work helps those on the margins of society to overcome difficulties they face in their lives, such as issues resulting from breakdown in relationships, debt, poor mental health, offending behaviour or substance misuse. All of our work is undertaken to further our charitable purpose of public benefit.

Governance

Board

The organisation is governed by a Board comprising twelve members, with one vacancy arising in February 2016. During the year we had two Board vacancies that were filled. With the proposed merger we expect to gain two Board members from Cherchefelle and therefore have not filled the latest vacancy. The Board members are drawn from a range of backgrounds; their details are shown in page 4 of the accounts. David Turner has been the Chairman of the Board since September 2013. The Board met six times during the year, and had further two special meetings to consider the progress of the merger.

The non-executive directors are elected for a three-year term at the Annual General Meeting (AGM). Each director must step down after a three-year period, but is immediately available for re-election. The maximum consecutive term of office is nine years. The Board has conducted a 'skills audit' and new appointments to the Board are matched against the gaps identified in the audit. The Board carries out annual appraisals of all directors and also evaluates the effectiveness of the Board regularly.

The Board delegates some of its responsibilities to the Finance & Audit Committee, which has clear terms of reference and delegated authority. The committee reports back to the Board after each meeting and their recommendations are considered and approved where appropriate.

Finance & Audit Committee

The Finance & Audit Committee oversees the finance function, the internal and external audit activities, risk management and the internal control framework. The Chairman of the Finance & Audit Committee resigned during the year and the Committee had an interim Chairman who was replaced by a permanent appointment in May 2016. The Committee met four times during the year. The Committee gains internal assurance through the appropriate internal control systems and external assurance from the internal and external audit processes.

Fundraising Committee

The Board wants more growth from our Fundraising activity and therefore set up a new Committee in January 2016. This new Committee has met twice to date and is overseeing the development of a new fundraising strategy.

Board groups

The Board has, from time to time, set up ad hoc groups for particular defined purposes, such as growth and diversification, recruitment and retention, and nominations to officer vacancies on the Board. In the past year, the Board established a remuneration group to review the pay of the Executive Team; the group's recommendations were approved by the Board and subsequently implemented. A Nominations Committee has also been set up to oversee the recruitment to pivotal roles on the Board, and to consider and make recommendations to the Board regarding governance.

Executive Team

The Board is responsible for the appointment of the Chief Executive, to whom day-to-day management of the organisation is delegated. The Chief Executive is supported by two Executive Directors in assisting the Board. These executives and other senior managers make up the Senior Management Team, which meets monthly to ensure the implementation of the agreed strategy and to oversee operational matters.

Board members and the Senior Management Team are insured against personal liability when acting on behalf of the company.

Internal control

The Board acknowledges its overall responsibility for establishing and maintaining the whole system of internal controls and for annually reviewing its effectiveness.

The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve the business objectives, and to provide reasonable assurance against material mis-statement or loss.

The process of identifying, evaluating and managing significant risks facing the organisation is on-going and has been in place throughout the period commencing 1 April 2015 up to the date of the report in the financial statements.

The key elements of the framework include:

- Board approved terms of reference and delegated authority to the Finance & Audit Committee
- Clearly defined management responsibilities for the identification, evaluation and control of significant risks
- Good strategic and business planning processes with detailed financial budgets and forecasts
- Formal recruitment, retention, training and development policies for all staff
- Established authorisation and appraisal procedures for new initiatives and development projects
- Strong treasury management policies and practices reviewed by the Finance & Audit Committee and regular external validation by auditors
- Regular Board reporting on key objectives, targets and client outcomes
- Board had comfort during the year by the internal audit programme carried out by the internal auditors TIAA.
- Board approved and well communicated whistle-blowing policy and anti-corruption and bribery policy, dealing with the reporting of any actual or suspected fraud
- Regular monitoring of loan covenants and the requirements for new loan facilities

The fraud register is maintained and is inspected by the internal auditors and we have regular fraud updates to the Finance & Audit Committee with any events. During the year there were no incidents of fraud. The Internal Audit Partner from TIAA visited the Finance & Audit Committee meeting in June 2016 providing assurance to the Committee and Board.

Statement of responsibilities of the Board

The Board is responsible for the preparation of the strategic report and the financial statements in accordance with the applicable law and regulations.

Company law requires the Board to prepare financial statements each year. Under the law the Board has elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards as reflected in FRS 102 and applicable laws). Under Company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the statement of affairs and profit or loss of the company. In preparing these financial statements, the Board is required to

- Select suitable accounting policies and apply them consistently
- Make adjustments and accounting estimates that are reasonable and prudent

- State whether applicable UK Accounting Standards and the Statement of Recognised Practice (SORP) by Registered Housing Providers Update 2014, have been followed, subject to any material departures disclosed and explained in the financial statements.
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose them with reasonable accuracy at any time and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other regularities.

In so far as each of the directors is aware:
- There is no relevant audit information of which the company's auditors are unaware: and
- The directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The directors are responsible for the maintenance and integrity of the corporate and financial information included in the company's website.

Statement of compliance
The Executives have provided evidence on the compliance with the various regulatory requirements such as HCA's Governance and Financial Viability Standard, Companies Act and the Charity Commission requirements and Health & Safety regulations to the Finance & Audit Committee and Board. The Board is therefore able to confirm its compliance with the above requirements.

Code of Governance
The Board adopted the National Housing Federation's (NHF) Code of Governance 2015 during the year and fully complies with it.

External auditors
Nexia Smith & Williamson were appointed as external Auditors at our Annual General Meeting on 24 September 2015. A resolution for their re-appointment will be proposed at the forthcoming Annual General Meeting on 29 September 2016.

By Order of the Board

David Turner
Chairman

4 August 2016

Report of the independent auditors to the members of Transform

We have audited the financial statements of Surrey Community Development Trust (operating as Transform Housing & Support) for the year ended 31 March 2016 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Reserves, the Statement of Cash flows, and the related Notes 1 to 27. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 the Financial Reporting Standard applicable in the UK and Republic of Ireland.

This report is made solely to the charity's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charity'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 charity and the charity's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditor

As explained more fully in the Statement of Board's Responsibilities set out on pages 13-14, the Board is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (FRC's) Ethical Standards for Auditors.

Scope of the audit of financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at **www.frc.org.uk/auditscopeukprivate**.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the charity's affairs as at 31 March 2016 and of its result for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been properly prepared in accordance with the requirements of the Companies Act 2006; and
- have been properly prepared in accordance with the Housing and Regeneration Act 2008 and The Accounting Direction for Private Registered Providers of Social Housing 2015.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Report of the Board of Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

The matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 and the Housing and Regeneration Act 2008 require us to report to you if, in our opinion:

- a satisfactory system of control over transactions has not been maintained; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Nexia Smith & Williamson

Jonathan Pryor
Senior Statutory Auditor
for and on behalf of
Nexia Smith & Williamson
Statutory Auditors
Chartered Accountants
25 Moorgate
London WC2R 6AY
24 August 2016

Statement of comprehensive income for year ended 31 March 2016

	Note	2016 £'000	Restated 2015 £'000
Turnover	3	6,565	6,316
Operating expenditure	3	(5,691)	(5,430)
Operating surplus		874	886
Gain on disposal of property, plant & equipment	5	-	161
Interest receivable	8	22	34
Interest and other financing costs	9	(347)	(345)
Surplus for the year		549	736
Other Comprehensive Income		-	-
Total Comprehensive Income for the year	10	549	736

The financial statements on pages 17 to 35 were approved and authorised for issue by the Board of Directors on 4 August 2016 and were signed on its behalf by the following officers:

David Turner
Chairman

Christopher Relleen
Chairman of the Finance & Audit Committee

Ratna Sukumaran
Company Secretary

The notes on page 21 to 35 form part of these financial statements.

Statement of changes in reserves for year ended 31 March 2016

	Notes	Revenue Reserve	Restricted Reserves	Total
		£000's	£000's	£000's
At 31 March 2014 as previously stated		12,468	110	12,578
Changes on transition to FRS 102	25	1,408	-	1,408
At 1 April 2014 as restated		13,876	110	13,986
Surplus from Statement of Comprehensive Income for the year		736	-	736
Transfer between reserves		(6)	6	-
Balance at 31 March 2015		14,606	116	14,722
Surplus from statement of comprehensive income for the year		549	-	549
Transfer between reserves		13	(13)	-
Balance at 31 March 2016		15,168	103	15,271

Statement of financial position as at 31 March 2016

	Note	2016 £000's	Restated 2015 £000's
Fixed assets			
Property, plant & equipment	11	33,731	31,031
Current assets			
Trade and other debtors	12	497	998
Cash and cash equivalents	13	2,023	3,585
		2,520	4,583
Creditors: amounts falling due within one year	14	(1,555)	(1,738)
Net current assets		965	2,845
Total assets less current liabilities		34,696	33,876
Less: Creditors – amounts falling due after more than one year	15	(19,425)	(19,147)
Less: Provision for liabilities and charges	19	-	(7)
Total net assets		15,271	14,722
Capital and reserves:			
General reserves		15,168	14,606
Restricted reserves		103	116
		15,271	14,722

The financial statements on pages 17 to 35 were approved and authorised for issue by the Board of Directors on 4 August 2016 and were signed on its behalf by the following officers:

David Turner Chairman	**Christopher Relleen** Chairman of the Finance & Audit Committee	**Ratna Sukumaran** Company Secretary

The notes on pages 21 to 35 form part of these financial statements.

Statement of cash flows for the year ended 31 March 2016

	Note	2016 £'000	2016 £'000	2015 £'000	2015 £'000
Net cash generated from operating activities	24		1,823		759
Cash flow from Investing Activities					
Purchase of tangible fixed assets		(3,208)		(1,391)	
Proceeds from sale of tangible fixed assets				300	
Grants received		418		523	
Interest received		22		34	
Net cash used in investing activities			(2,768)		(534)
Cash flow from Financing activities					
Interest paid		(347)		(345)	
Repayment of borrowings		(270)		(270)	
Net cash used in financing activities			(617)		(615)
Net change in cash and cash equivalents			(1,562)		(390)
Cash and cash equivalents at:					
Beginning of the year			3,585		3,975
End of the year			2,023		3,585

Notes to the financial statements

1. Legal status

Transform Housing & Support is incorporated in England under the Companies Act 2006, registered number 1057984, and is registered with the Homes and Communities Agency as a Private Registered Provider of Social Housing (Registered number H2452), and is a registered charity (Registered Number 264133). The principal activity of the company is the provision of support and housing to vulnerable clients.

The registered office is Bradmere House, Brook Way, Leatherhead, Surrey KT22 7NA.

2. Principal accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Basis of accounting

The financial statements have been prepared in accordance with applicable accounting standards including FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland, and the Statement of Recommended Practice for registered social housing providers, Housing SORP 2014. Transform's objectives are to provide housing, support and an improved wellbeing for our vulnerable clients and therefore can be considered as a Public Benefit Entity (PBE). In accordance with FRS 102 (3.3 A), the company is a public benefit entity that has applied the "PBE" prefixed paragraphs.

The financial statements comply with the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015. The accounts are prepared on the historical cost basis of accounting and are presented in sterling (£'000's).

The Company's financial statements have been prepared in compliance with FRS102 as it applies for the first time for the year ended 31 March 2016. We have therefore revised our accounting policies and estimates that are now compliant with FRS 102.

The Company transitioned from previous UK GAAP to FRS 102 as at 1 April 2014 and its impact on the reported financial position is shown in note 25.

Going concern

The company has adequate long term debt facilities in place and regularly reviews the medium term cash flow; the Board is satisfied that it has adequate resources to continue in operation for the foreseeable future and therefore we consider it appropriate to continue adopting the going concern basis in preparing the financial statements.

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the balance sheet date and the amounts reported for revenues and expenditure during the year. However the nature of estimation means that actual outcomes could differ from those estimates. The following judgements have had the most significant effect on amounts recognised in the financial statements.

a) **Categorisation of housing properties** between property, plant and equipment and investment properties. The company has undertaken a detailed review of the intended use of all of its properties and determined that they are all held for social benefit.

b) **Development expenditure**: The Company capitalises development expenditure in accordance with its accounting policy on housing properties stated below. Initial capitalisation of costs is based on management's judgement on when the development scheme is confirmed, usually with board approval and the required funding in place. Management closely monitors the progress on the project and ensures that no material change had occurred during the period that may result in impairment.

c) **Impairment of housing properties**: Reviews for impairments of housing properties are carried out only when a trigger has occurred, and any impairment loss in a cash generating unit is recognised in the Statement of Comprehensive Income. Impairment is recognised when the carrying value of a cash generating unit exceeds the higher of its net realisable value or its value in use. The Company's policy is to use the property scheme level as the base for the cash generating unit.

During the year the government announced a change in rent policy of '1% rent cuts' but decided that the implementation for supported housing is to be delayed until April 2017. The Board considers this as an indication of impairment and carried out an impairment review. In this review management used Depreciated Replacement cost to determine Value in Use (service potential). Our assessment shows that no impairment loss was identified.

Other key sources of estimation uncertainty

d) **Property, plant and equipment**: In accordance with SORP 2014, the company operates a component accounting policy for the capitalisation and depreciation of its completed housing stock. The properties, including their individual components, are depreciated over their respective useful lives, taking into account their residual values, where appropriate. The actual lives and the residual values of the properties are assessed annually and may vary depending on a number of factors such as technological innovation, property life cycle and their component replacement programmes. Residual value assessments consider issues such as future conditions, the remaining life of the asset and the projected disposal values.

e) **Amortisation of government grants**: Government grants received for housing properties are recognised in income over the useful life of the housing property structure (excluding land) on a pro rata basis under the accrual model.

f) **Bad debts provision**: The rent debtor balances of £211k recorded in the company's statement of financial position comprises a relatively large number of small balances. A quarterly line by line review is carried out on all of these debtors. Whilst every attempt is made to ensure that the bad debts provisions are as accurate as possible, there remains a risk that the provisions do not match the level of debts which ultimately prove to be uncollectable.

Turnover and revenue recognition

Turnover represents rental income receivable, amortised capital grants, support grants from local authorities and charitable donations, measured at the value of the consideration received or receivable.

Rental and service charge income - this represents the rental and service charge income receivable for the year, net of any voids. The rental and service charge income from properties developed during the year is recognised from the point when these properties reach practical completion or are otherwise available for letting.

Housing related support income - income is recognised as it falls due under the contractual agreements. The 'block subsidy' housing related support income is classed as social housing income and ‘block gross’ income as other social housing income in the Statement of Comprehensive Income..

Charitable donations - grants and donations from charitable trusts and voluntary sources for the development of property or for the acquisition of other tangible fixed assets are treated as income. Income is recognised on any significant pledges, only after the grant conditions are fulfilled.

Financial instruments

Financial instruments cover the financial assets and liabilities shown in the Statement of Financial Position. According to Section 11 of FRS 102, financial instruments are classified as either basic financial instruments or non-basic financial instruments.

The Company’s significant financial liability is the bank loan and this is classed as a basic financial instrument, measured at amortised cost. The values are similar to those previously shown with no significant adjustments. Any payment arrangements entered into with tenants are also classed as basic instruments and need to be measured at their present value. Our assessment shows that the company has only a few such agreements at the year end and these are not considered to be material. The company does not have any other financial instruments falling into the category of financing transactions.

Housing properties and depreciation

Housing properties are properties held for the provision of social housing or otherwise to provide social benefit. Housing properties are principally properties available for rent and stated at cost less accumulated depreciation and impairment losses. Cost includes the cost of acquiring the land and building, development costs, and the interest cost capitalised during the development period. Housing properties under construction are stated at cost and are not depreciated. Donated land and other assets are included within costs at fair value, at the time of the transfer.

Depreciation is charged over the estimated useful lives of the structure and components of freehold and leasehold properties or the unexpired period of leasehold properties when this is shorter. No depreciation is charged on freehold land. Depreciation is charged on a straight-line basis. Depreciation is charged on qualifying fixed assets based on the following estimated useful lives:

Components identified within housing properties:	
Structure	100 years
Roofs	70 years
Flat roofs	15 years
Windows	30 years
Kitchens	15-20 years
Bathrooms	25-30 years
Boilers	15 years
Other fixed assets:	
Furniture and fittings	7 years
Office equipment	7 years
Office fittings	10 years
Computer equipment and software	3 years

Impairment of housing properties

For the purposes of impairment assessments, housing properties are grouped together into schemes, each scheme typically comprising one or more buildings in an immediate locality, and each building consisting of one or more accommodation units. Schemes are typically developed or acquired as one block of units.

At each statement of financial position date, housing schemes are assessed to determine if there are any indicators that the scheme may be impaired in value; if there are such indicators of impairment, then a comparison of the scheme's carrying value is compared to its recoverable amount is undertaken. Any excess over the recoverable amount is recognised as an impairment loss and charged as expenditure in the Statement of Comprehensive Incomes: the carrying value is then reduced appropriately.

The recoverable amount of the scheme is the higher of its fair value less costs to sell and its value in use. Value in use (VIU) for housing schemes, which are able to be let in the current condition and which are fulfilling the social purpose for which they were acquired is referred to as Value in use Service Potential (VIU-SP) and this can be measured using the 'depreciated replacement cost'(DRC)' valuation basis.

The DRC basis considers either the cost of purchasing an equivalent property on the open market (based on the sale prices for similar properties in or near same location), or the rebuilding cost of structures and components based on current building costs, using either current building contracts or market data (being primarily construction indices) applied to the relevant building size and type. For other schemes, value in use is defined as the net present value of the future cash flows generated from the scheme before interest cost.

Works to existing housing properties

Works to existing properties which replace a component and work resulting in an increase in net rental income over the lives of the properties thereby enhancing the economic benefit of the assets, are capitalised as improvements and depreciated.

When a component forming part of a housing property reaches the end of its useful life and is replaced, the original component is treated as a disposal and its replacement is capitalised. Any residual value of the original component is written-off as a loss on disposal.

Government grants

Government grants include grants receivable from the Homes & Communities Agency (HCA), local authorities, and other government organisations. Government grants received for housing properties are treated as deferred income and recognised in turnover over the estimated useful life of the housing property structure, under the accrual model.

Grants relating to revenue are recognised in the Statement of Comprehensive Income over the same period as the expenditure to which they relate, once reasonable assurance has been gained that the entity will comply with the conditions and that the funds will be received. Grants due from government organisations or received in advance are included as current liabilities.

Government grants released on the sale of the property may be repayable but are normally available to be recycled and are credited to a Recycled Capital Grant Fund and are included in the balance sheet in creditors. If there is no requirement to recycle or repay the grant on disposal of the asset, any unamortised grant remaining within creditors is released and recognised as income in income and expenditure.

Other grants

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

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

Assets held under finance leases are recognised initially at their fair value of the leased asset (or, if lower, the present value of minimum lease payments) at the inception of the lease. The corresponding lease liability is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation using the effective interest method so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are deducted in measuring the surplus or deficit. Assets held under finance leases are included in tangible fixed assets and depreciated in the same way as owned assets.

Rental payable under operating leases is charged to income and expenditure on a straight line basis over the lease term. With regard to lease incentives, the aggregate benefits of the lease incentive are recognised as a reduction in expenses recognised over the term of the lease.

Cash and cash equivalents
This includes all forms of cash and includes cash in hand, deposits repayable on demand, overdraft repayable on demand and short term deposits (including £800k deposits with maturities longer than 3 months, but can be withdrawn, with loss of interest) held with various banks, that can be withdrawn without disrupting the business and are readily convertible to a known amount of cash at the year end at or close to the carrying values. These cash balances are used in our cash flow statements and future cash projections.

Interest payable
Interest costs are capitalised on borrowing to finance the development of qualifying assets to the extent that it accrues in respect of the period of the development. Other interest payable is charge to the Statement of Comprehensive Income.

Pension costs
The Associating participates in the group personal pension scheme operated by Aviva. This is a defined contribution scheme and the charge to the income and expenditure represent the employer’s contributions payable for the accounting period.

Provision for liabilities
Provisions are recognised when the Company has a present obligation as a result of a past event, and it is probable that the Company is required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation, at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

The Company recognises a provision to cover the annual leave accrued by employees as a result of service rendered in the current period, and which employees are entitled to carry forward and use within the next twelve months. The provision is measured at the cost of salary, national insurance and pension contributions payable for the period of absence.

Recycling of capital grants
Where the Social Housing grant is recycled, the grant is credited to the fund which appears as a creditor until used for further development. Where the recycled grant is known to be repayable, it is shown as creditors within one year.

Value Added Tax

Transform Housing & Support is not registered for Value Added Tax and VAT is accounted for as a cost to the organisation within the respective expenditure heading.

Reserves

Reserves comprise the revenue reserve balance and a restricted reserve. The company established a restricted reserve to hold grants and donations given to Transform for specific schemes or activities. These will be matched with relevant expenditure when incurred in the future.

3. Particulars of turnover, operating expenditure and operating surplus

2016	Note	Turnover £'000	Operating costs £'000	Operating surplus/ (deficit) £'000
Social housing lettings	4	3,874	2,907	967
Other social housing activities				
Housing-related support contract income		2,278	2,544	(266)
Fundraising income		264	92	172
Other income		149	148	1
		6,565	5,691	874

2015 (Restated)	Note	Turnover £'000	Operating costs £'000	Operating surplus/ (deficit) £'000
Social housing lettings	4	3,672	2,879	793
Other social housing activities				
Housing-related support contract income		2,302	2,355	(53)
Fundraising income		270	119	151
Other income		72	77	(5)
		6,316	5,430	886

4. Particulars of turnover and operating expenditure from social housing lettings

	Note	2016 £'000	2015 Restated £'000
Rents receivable net of identifiable service charges		2,708	2,672
Charges for housing-related support services		53	53
Service charges income		850	790
Amortised Government grants		263	157
Turnover from social housing lettings	3	3,874	3,672
Operating Expenditure:			
Service charge costs		803	718
Management		364	376
Routine maintenance		448	402
Planned maintenance		112	184
Bad debts		74	39
Property lease charges		193	196
Depreciation of housing properties		402	449
Impairment of housing properties		-	137
Other costs		511	378
Operating expenditure on social housing lettings	3	2,907	2,879
Operating surplus on social housing lettings		967	793
Void losses		(331)	(248)

All of Transform's activities relate to providing housing and/or support.

5. Surplus on disposal of housing property

	2016 £'000	2015 £'000
Disposal proceeds less selling costs	-	293
Carrying value of fixed asset	-	(132)
	-	161

The disposal of a property in Surrey Heath last year, generated a surplus with no grant recycling, as there was no grant allocated to this property.

6. Directors' emoluments and expenses

For the purpose of this note, the Directors are defined as the Board members and the members of the Executive Team as shown on page 4. None of the Board members received any emoluments.

	2016 £'000	2015 £'000
Aggregate emoluments and expenses payable to Key management personnel:		
Executive Team	237	215
Senior Management Team	289	282
The highest paid Executive:		
Emoluments	82	73
Pension contributions	7	6

The Executive team and the Senior Management Team (as shown in page 4) represent the key management personnel under FRS 102 and their aggregate emoluments are shown above.

The Chief Executive was also the highest paid director, and his pension arrangements are similar to those of other staff – a money-purchase pension scheme with no additional benefits.

7. Employee information

The average number of full-time employees of Transform (based on a standard working week of 39 hours):	**2016**	**2015**
Housing and support staff	69	68
Administration staff	15	15
Maintenance staff	5	6
	89	89

Staff costs for the above persons:	**2016 £'000**	**2015 £'000**
Wages and salaries	2,479	2,267
Social security costs	220	200
Other pension costs	179	167
	2,878	2,634

During the period the senior officers' including Executives, Senior Management Team emoluments (excluding pension contributions) fell within the following band distributions:

	2016	2015
More than £60,000 but not more than £70,000	1	2
More than £70,000 but not more than £80,000	1	1
More than £80,000 but not more than £90,000	1	-

8. Interest receivable

	2016 £'000	2015 £'000
Interest from bank deposits	22	34

9. Interest and financing costs

	2016 £'000	2015 £'000
Interest payable on bank loans	359	362
Interest capitalised on properties under construction	(12)	(17)
	347	345

During the year, £12k of interest costs (2015: £17k) was capitalised against housing properties under construction. We have used a cost of capital of 4.6% (2015: 4.6%) for this capitalisation.

10. Surplus for the year

	2016 £'000	2015 Restated £'000
The operating surplus is arrived at after charging:		
Depreciation of housing properties	402	449
Depreciation of other tangible fixed assets	53	59
Surplus on sale of fixed assets – housing properties	-	(161)
Loss on replacement of property components	51	28
Impairment of housing properties	-	137
Operating lease rentals:		
Land and buildings	286	256
Other leases	36	34
Auditors' remuneration (excluding VAT):		
Audit fees	8	10
Other services	11	2

11. Property, plant and equipment

	Housing properties £'000	Properties under construction £'000	Total housing properties £'000	Furniture and equipment £'000	Total £'000
Cost					
At 1 April 2015	35,346	60	35,406	525	35,931
Additions	250	2,870	3,120	88	3.208
Schemes completed	1,038	(1,038)	-	-	-
Disposals	(124)	-	(124)	(5)	(129)
At 31 March 2016	36,510	1,892	38,402	608	39,010
Depreciation					
At 1 April 2015 (Restated)	4,518	-	4,518	382	4,900
Charges for the period	402	-	402	53	455
Disposals	(73)	-	(73)	(3)	(76)
At 31 March 2016	4,847	-	4,847	432	5,279
Net book value					
At 31 March 2016	31,663	1,892	33,555	176	33,731
At 31 March 2015 (Restated)	30,828	60	30,888	143	31,031

The Camperdown scheme was under development as at the year-end, and is therefore shown above, included within properties under construction.

The additions shown under completed housing properties of £250k (2015: £104k) relate to the cost of replacing property components during the year.

Housing properties book value, net of depreciation comprises:

	2016 £'000	2015 Restated £'000
Freehold land and buildings	29,641	27,351
Long leasehold land and buildings	3,405	3,439
Short leasehold land and buildings	509	98
	33,555	30,888

12. Debtors

	2016 £'000	2015 £'000
Due within one year		
Rent and service charges receivable	211	198
Less: Provision for bad and doubtful debts	(95)	(68)
	116	130
Other debtors	261	693
Prepayments and accrued income	120	175
	497	998

13. Cash and cash equivalents

	2016 £'000	2015 £'000
Cash in bank and in hand	2,023	3,585

The cash balance represents Transform's working capital and a further loan drawdown before the expiry of a favourable loan arrangement. This balance is currently held in term deposits, until it is required to meet the capital commitments of £2.2m (2015 – £2.6m) as at 31 March 2016 (as shown in note 20).

14. Creditors: Amounts falling due within one year

	Note	2016 £'000	2015 Restated £'000
Housing loans		270	270
Deferred grant income		165	157
Trade creditors		273	278
Loan interest due		57	56
Rent and service charges received in advance		24	35
Social Housing grants received in advance		-	245
Recycled Capital Grant fund	18	14	168
Capital accruals and retentions		269	29
Other creditors		284	282
Other taxation and social security		76	74
Other accruals and deferred income		123	144
		1,555	1,738

15. Creditors: Amounts falling due after more than one year

	Note	2016 £'000	2015 Restated £'000
Housing loans	17	7,644	7,912
Deferred Grant income	16	11,781	11,235
		19,425	19,147

16. Deferred grant income

	2016 £'000	2015 £'000
Balance at 1 April (Restated)	11,392	10,634
Grant received in the year	663	278
Grant reclassified from long term liabilities	-	805
Grant transferred from/(to) RCGF	154	(168)
Released to Statement of Comprehensive Income	(263)	(157)
Balance at 31 March	11,946	11,392
Deferred Income to be released to the Statement of Comprehensive Income		
Amount to be released in **less than1 year**	165	157
Amount to be released in **more than 1 year**	11,781	11,235
	11,946	11,392

17. Housing loan debt analysis

	2016 £'000	2015 £'000
Due within **one year**	270	270
Due after **more than one year**		
Loan	7,650	7,920
Less : issue costs	(6)	(8)
	7,914	8,182

The loan facility is a 30 year facility with Barclays Bank Plc, expiring by March 2037 and is currently fully drawn. The facility requires an annual repayment of £270k and the remainder to be paid at the end of the term. We have a number of fixed rate tranches with varying interest rates from 1.92% to 6.2% and varying maturity dates, when it reverts to variable interest rate linked to LIBOR rate.

This bank facility is secured by a fixed charge on a selected property portfolio. However, there are a number of other properties that are free from this charge, and can be charged in the future, to cover further borrowing if it was required.

18. Recycled capital grant fund

	2016 £'000	2015 £'000
At 1 April	168	-
Grant recycled	14	168
Withdrawals	(168)	-
	14	168

During the year we have converted the use of a property within the London Borough Sutton from supported housing, as per the original grant allocation to temporary social housing. Greater London Authority (GLA) has approved the change of use but has required 12% of the grant on the property to be recycled into this fund. Last year GLA had approved the allocation of the £168k grant to the Camperdown development scheme and therefore the withdrawals have been used for the development of this scheme.

19. Provisions for liabilities and charges

	2016 £'000	2015 £'000
Balance at 1 April	7	40
Movement	(7)	(33)
Balance at 31 March	-	7

The above provision was held last year to cover the dilapidation liabilities on the lease of Transform's Central Office. Our assessment in the current year shows that this provision is no longer required and accordingly released to the Statement of Comprehensive Income.

20. Financial commitments

Capital expenditure commitments are as follows:

	2016 £'000	2015 £'000
Expenditure contracted but not provided for in the accounts	863	1,899
Expenditure authorised by the Board but not yet contracted	1,828	1,508
	2,691	3,407

The above commitments can be funded by a combination of cash deposits £2.2m (2015: £2.62m), Social Housing Grants £291k (2015: £494k) and fundraising £200k (2015: £290k).

Leasing commitments
The future minimum lease payments are set out below.

	2016 Property £'000	2016 Others £'000	2015 Property £'000	2015 Others £'000
Within one year	80	19	72	15
Between one and five years	216	17	177	17
	296	36	249	32

21. Related party transactions

The members of the Board and Senior Management Team are considered related parties as defined by FRS 102. Transform retains a register of members' interests. We can confirm that two transactions require disclosure, as shown below:

- The son of a Board member carried out a two month unpaid summer internship during 2015.
- The spouse of a member of the Senior Management Team is a commercial director and shareholder in UK Telecom, which has provided a telephone landlines service and the management thereof for Transform for a number of years; approximate annual value of the contract is £32k pa.

22. Social housing units

The number of supported housing units under management at the end of the period:

	2016	2015
Owned and managed	551	535
Not owned but managed	65	55
	616	590

23. Taxation status

Transform Housing & Support is a registered charity and as such is exempt from taxation on its charitable activities.

24. Notes to the statement of cash flow

	2016 £'000	2015 Restated £'000
Surplus for the year	**549**	**736**
Adjustments for non-cash items		
Depreciation of tangible fixed assets	455	508
Impairment on housing properties	-	137
Amortisation of loan arrangement fee	2	2
	1,006	1,383
Movements in working capital		
Increase/(decrease) in debtors	501	(643)
Increase in creditors	210	31
Decrease in provision for dilapidation	(7)	(33)
	1,710	738
Adjustments for investing or financing activities		
Proceeds from sale of fixed assets	-	(300)
Carrying value of property disposal	-	139
Loss on replacement of components	51	28
Government grants utilised in the year	(263)	(157)
Interest payable	347	345
Interest received	(22)	(34)
Net cash generated from operating activities	**1,823**	**759**

25. Transition to FRS 102 prior year adjustment

The company has adopted FRS 102 for the year ended 31 March 2016 and has restated the comparative prior year amounts. The key changes are summarised below:

- Housing properties are now stated at cost before the grant offset. The depreciation on the property assets is rebased on gross cost and therefore results in increased annual depreciation of around £73k in 2014/15. This had also resulted in restating opening reserve balances by £800k.
- Housing grants which are predominately government grants are now treated as deferred long term creditors and released into the Statement of Comprehensive Income over the useful life of the asset. The grant release for 2014/15 was £157k as shown below. This has also resulted in restating opening reserves by £2,027k.

Reconciliation of reserves and surplus	**Reserves as at 1 April 2014 £'000**	**Surplus for year to 31 March 2015 £'000**	**Reserves as at 31 March 2015 £'000**
Reserves as previously reported	12,468	605	13,067
Adjustments:			
Non-Government grants taken to reserve	181	-	181
Additional grant amortisation	2,027	157	2,184
Additional depreciation on housing properties	(800)	(73)	(873)
Donation income recognised	-	47	47
Total adjustments	1,408	131	1,539
As reported under FRS 102	13,876	736	14,606

26. Local Housing Allowance

In the autumn statement of 2015, the government announced that housing benefit for social housing rents would be capped to the Local Housing Allowance (LHA) levels, with effect from April 2018 (in the case of supported housing, affecting tenancies from April 2017). If this were to be implemented, it will significantly affect the financial viability of Transform, as a number of our supported housing schemes would be adversely affected. We along with other supported housing providers have lobbied against this and the government has agreed to review this on completion of the, DWP study on the funding of supported housing. Further news is expected in the summer of 2016.

Our understanding is that government is currently considering a different funding model for supported housing and is keen to maintain a similar level funding without affecting the good work done by the various supported housing providers. However, with the changing economic environment under the Brexit, we cannot be certain of anything until the final government announcement.

27. Merger prospects

During the year merger discussions with Cherchefelle Housing Association have progressed very well and since the year end, the two Boards have approved the merger. The intention is that the merger will be achieved through a process of transfer of engagements. We are currently seeking HCA consent for this potential merger, with 30 September 2016 being the target merger date.