Financial statements and annual report 31 March 2019

Client comments

We asked our clients what their favourite thing about Transform was...

"It has helped me understand myself better"

"The support the staff have for you and the time and effort they put into you to ensure you are set for the future and being independent confidently"

"It has helped me gain self-confidence, a job and helped me emotionally through hard times"

"An overall feeling of safety and staff that are approachable and genuinely helpful and support you in your recovery"

"Feeling hopeful about my future"

"Calm, efficient and wise support"

"That I can eventually get a home of my own that I can cope with and apply the lessons I have learned with Transform on this journey"

"The Transform team are kind, gentle, patient and understanding. Knowing they are there for me when I am struggling gives me peace of mind"

"I feel that Transform staff are friendly, helpful and guide people in the right way"

"The fact that I have a guiding individual to help me become more confident with my independence and all that entails"

"Having my life back"

"That I was finally in a home without being shipped from pillar to post... I feel settled for the first time in a long time"

"Transform provide me with a safety net so that I am able to take positive risks in life and pursue my goals"

"Being independent. Having confidence and fabulous staff"

"I've had a tough journey before I arrived. Transform have helped me so much and making me feel the person I was once before. Fantastic support"

"I am in a stable place and have completely sorted my life out thanks to Transform... without someone to come to certain appointments I wouldn't have got this far"

"Feeling safe both emotionally and physically"

"Always cheerful, helpful and information I get is second to none. I don't know what I would do without Transform"

Contents

2 Highlights 2018/19
4 Chairman's report
6 Our people
9 Strategic report
30 Governance
35 Financial statements
38 Statement of Comprehensive Income
39 Statement of financial position
40 Statement of changes in reserves
41 Statement of cash flows
42 Notes to the financial statements

Company details

Registered Office

Transform Housing & Support
Bradmere House
Brook Way
Leatherhead
Surrey KT22 7NA
01372 387100
www.transformhousing.org.uk
info@transformhousing.org.uk

Registrations

Registered Company 1057984
Registered Charity 264133
Registered Provider H2452
Registered with the CQC 1-2756361790

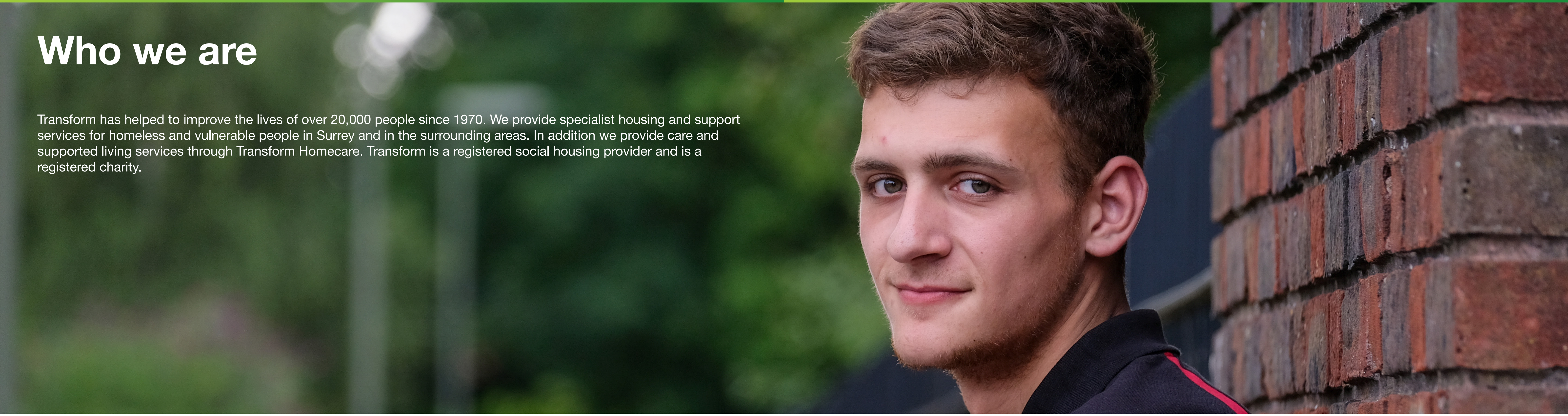
Advisors

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



Who we are

Transform has helped to improve the lives of over 20,000 people since 1970. We provide specialist housing and support services for homeless and vulnerable people in Surrey and in the surrounding areas. In addition we provide care and supported living services through Transform Homecare. Transform is a registered social housing provider and is a registered charity.

Highlights 2018/19

304 care clients

1,802 housing and support clients

Service outcomes

100% felt they achieve higher quality of life (long-term impact)

88% of clients moved on in a planned way (short-term impact)

87.2% of clients felt improvements in emotional and mental wellbeing (short-term impact)

63% currently in education, employment or voluntary work (long-term impact)

Satisfaction

98.7% of clients satisfied with support received

95.8% of clients satisfied with housing

100% of clients satisfied with the care provided

99% of employees rate Transform as a fair employer

Property

40 new housing units

£45m property asset value

888 housing units managed

£4.3m investment in property

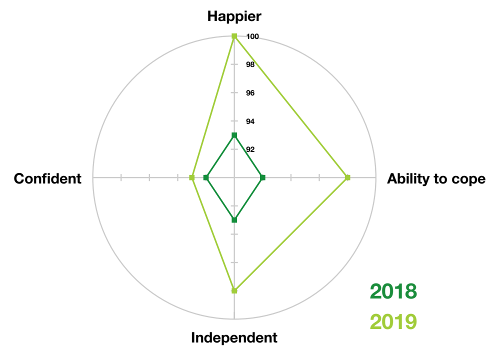
Financial wellbeing

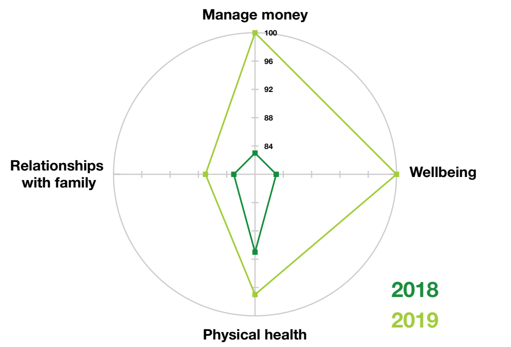
£12.5m new loan facilities secured

£1.2m surplus

16% operating margin

£20m loan availability to fund future growth





Chairman's report

Transform has enjoyed a year of **growth and development** and we can be very proud of both staff and clients in achieving some excellent progress.

We saw a change in **leadership** during the year as, in August 2018 and after over two decades with Transform, Chief Executive Paul Mitchell retired.

Enjoying many years' experience in this sector, Lawrence Santcross has now taken up the challenge of leading Transform. He has developed the strategy in consultation with the Board and Executive Team which includes growth over the next five years.

People are at the heart of Transform. We value colleagues highly, and an increased focus on remuneration, as well as recruitment and retention, continues to pay dividends. We place emphasis on our values which we all uphold – **respect**, **empowerment**, **responsibility** and **excellence**. The annual staff survey provided strong confirmation that the rhetoric is matched by behaviours.

Continuity and change has been the bedrock on which Transform thrives. Adaptable and nimble, we have delivered a range of services to a growing number of socially excluded and/or vulnerable people. During the course of the year we enabled 2,106 people to take greater control of their lives and/or live independently in the community.

The support and care services we offer are mostly commissioned by statutory partners. As we move forward, we seek to **grow and diversify** income streams in order to reach out and provide services to greater numbers of people. Included in this growth is the ambition to increase levels of support, including donations from trusts and corporate partners especially to mitigate the risks of funding reductions but also to enhance the quality of our accommodation and support. With years of austerity, political uncertainty, and financial demands in both national and local government, funding has never been so challenging. But during 2018/19, Transform played its part in **positively influencing** plans on the future funding of supported housing. Additionally we have started to develop relationships with new commissioners in existing and new geographies, for example with the NHS we piloted a step down service for a local health trust.

As a social housing provider, **property** is the largest asset that we hold. Hostels, shared houses and flats not only provide a roof over people's heads but enables us to provide the support needed to deliver the excellent outcomes that we achieve.

During the year we increased the property portfolio to support schemes in partnership with local district and borough councils. We brought on 40 new units of **accommodation** for both single adults and families. We disposed of one property and realised a substantially higher sale value due to exceptional circumstances: this will be reinvested in property. A pipeline for the next five years has been developed, and several properties came into management in early 2019/20.

Transform also provides **homecare** for clients referred to us by social services. A number of clients pay privately and area which we could grow. We won an Extra Care service, supporting 35 people, and relocated one of the Domiciliary Care Services to the same location to provide cost efficiencies. We achieved a 'Good' rating from the Care Quality Commission for the Transform Homecare Mid Surrey service.

The **turnover** for the year increased to **£9.9 million** and generated a **surplus** of **£247,000**, excluding exceptional items such as property disposal. We have refinanced our loans, some of which will be held with Unity Trust Bank, providing assurance that precious resources are working hard for us.

We are looking to the future in a number of ways. Our five year strategy for 2019-24 seeks to build on core strategies of **operational excellence**; **growth**, **diversification and partnerships**; **investing in people**; **providing high quality housing**, and **ensuring financial wellbeing** whilst being effective and efficient in all that we do.

Our ultimate goal is to ensure that all housing and care clients live more **fulfilled and independent lives**. We shall continue to provide housing and support for young people, older people, individuals with mental health issues or learning disabilities, as well as people with a history of offending or with a history of substance misuse.

Where single adults or families need temporary accommodation, we provide housing. We shall continue to deliver move-on accommodation. This is the last stage of the services we provide before clients go on to live independently in social housing or private rented accommodation. And we provide homecare services to older people and those with physical disabilities, learning disabilities or mental health issues.

Transform believes that its obligations reach beyond housing, support or care. Whilst we continue to have a positive influence both in Surrey and beyond, we have signed up to a number of important campaigns during the year – **Homes for Cathy**, **Make A Stand** and **Commitment to Refer**.

We are beginning to focus on the forthcoming 50th Anniversary celebrations – when, in 1970 Cherchefelle began, and in 1972, Transform – then Surrey Community Development Trust – was set up, and five decades later, the necessity and need for the services we provide continues unabated.

I am proud to chair this impressive organisation over this challenging yet very fulfilling period in its history.

Our people

Our Patrons and Ambassadors

Transform benefits from the endorsement of a number of high-profile volunteers, including Patrons and Ambassadors. We value highly and acknowledge the advocacy and support that was provided during 2018/19.

Royal Patron

HRH The Countess of Wessex GCVO

Patrons

The Rt Hon Baroness Bottomley of Nettlestone JP DL

Michael More-Molyneux DL, **HM Lord-Lieutenant of Surrey**

Prof Patrick J Dowling CBE DL FREng FRS

Nick Ephgrave QPM, Chief Constable, Surrey Police
(retired January 2019)

David Hypher OBE DL BSc (Hons)

Dame Penelope Keith DBE DL

Elizabeth Kennedy FCIPD

Prof G. Q. Max Lu AO DL FAA FTSE
President and Vice-Chancellor, University of Surrey

Sir Richard Stilgoe OBE DL

Sally Varah MBE DL

The Rt Revd Andrew Watson, Bishop of Guildford

Ambassadors

Dame Elizabeth Anson DBE JP DL

Martin Bellinger

His Hon Christopher Critchlow DL

Desmond McCann BA FCA

David McNulty PhD
(appointed May 2018)

Greg Melly

Lesley Myles MBE JP DL MA

Kim Rippett
(appointed November 2018)

The Hon Mrs Lavinia Sealy

Bernard Stevens FCA FCMA

Lady Elizabeth Toulson CBE DL

Paul Wates FRICS

Cllr Fiona White

Malcolm Young FRICS

Our Directors

The Directors of Transform are simultaneously Trustees of the charity. At the end of the financial year 2018/19 there were eight Trustees on Transform's Board.

Directors

Mark Austen FCMA
Chairman

Robert Mills BA (Hons) MCIH
Deputy Chairman

Jane Bolton BA (Hons) FCIH

Chris Deacon BSc (Hons) MSc

Sally Dubery

Lee Harris

Chris Relleen BSc FCA
Chair of the Finance & Audit Committee
(stepped down July 2019)

David Turner DSc FRICS

Katie Wadey
(appointed June 2019)

Amanda Colman BCom
(stepped down November 2018)

Nicke Harrison BA MA
(stepped down January 2019)

Edward Moseley
(stepped down September 2018)

Executive Team

Lawrence Santcross
Chief Executive
(appointed August 2018)

Ratna Sukumaran ACMA
Director of Finance and Company Secretary

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

Carol Borwick
Head of Fundraising & Communications

Senior Management Team

Simone Bartley
Head of People
(appointed April 2019)

David Hulme
Area Manager, Surrey Central & Wokingham

Viccy Johnson
Area Manager, Surrey South

Peter Lewis
Head of Care, Older People & Learning Disability Services

Steve Moore
Area Manager, Surrey North & Sutton

Peter Riggs
Finance Manager

Caroline Felton
PA to Chief Executive

Paul Mitchell BA (Hons) ACA former Transform Chief Executive retired in August 2018.

Marisa Elliott former Head of Human Resources retired in May 2019.

Strategic report

Objectives

Our headline objective is to be the leading provider of supported housing and care in Surrey and surrounding areas, helping more and more people to lead independent and fulfilling lives.

Our strategic objectives 2018/19:

Impact

What we said we would do	What we did
▪ Provide the highest quality of service to achieve great outcomes for clients. ▪ Prioritise recruitment to ensure full staff complements for the frontline roles. ▪ Invest in colleagues: performance, personal development and rewards.	▪ Achieved a 'Good' CQC rating. ▪ Recruited 68 staff during the year. ▪ Restructured a number of frontline teams.

How well we did it

95% housing and support client satisfaction

100% homecare client satisfaction rates

88% planned move-ons

Staff turnover reduced to 21%

97% of staff rated Transform as a fair employer

Sustainable growth

What we said we would do	What we did
▪ Grow the homecare business, mainly through private care. ▪ Create new opportunities to grow.	▪ Increased the percentage of private homecare clients. ▪ Increased the number of state funded packages. ▪ Secured a new Extra Care scheme.

How well we did it

Private care grew to 30% of care turnover.

Circa 50% increase in care turnover.

Financial viability

What we said we would do	What we did
▪ Maintain a financially robust position. ▪ Refinance existing loans. ▪ Secure additional long-term loan funding.	▪ Developed a contingency plan for a potential 'No deal' Brexit. ▪ Tendered for loan refinancing. ▪ Implemented a contingency plan in preparation for support cuts from Surrey County Council.

How well we did it

Delivered a record surplus of £1.2 million

Refinanced Barclay Bank PLC loan for a further five years

Secured a new loan facility £7.5 million from Unity Trust Bank

Value for money

What we said we would do	What we did
▪ Maintain a strong focus on core targets for voids, bad debts and arrears. ▪ Review the asset management strategy.	▪ Reduced the target for voids from 8% to 6.5%. ▪ Increased the focus on operating costs. ▪ Enhanced care KPIs. ▪ Started a comprehensive asset management strategy project.

How well we did it

Voids for the year were 6.56%

Arrears were 4.78%

Overall cost per unit of £10,500 compares favourably with peers.

Innovation

What we said we would do	What we did
▪ Consider new technology to improve the quality of service provided to clients. ▪ Look at new opportunities/develop new models and pilot innovative working. ▪ Diversify the funding from a variety of sources exploiting new opportunities and innovation.	▪ Explored technology solutions for care with the University of Surrey. ▪ Piloted a scheme for a health funded service. ▪ Delivered new schemes for clients needing high support.

How well we did it

Further expansion into homelessness fund

TA Developed new Temporary Accommodation

Acquired the management of an Extra Care service

Our strategy 2019-2024

Purpose

Transform's purpose is to help people live independent and fulfilling lives.

Chief Executive Lawrence Santcross joined Transform in August 2018 and, during the following months, the Board and Executive Team worked together to refresh the future business strategy.

Strategic goals

We provide housing, care and support services for socially excluded and vulnerable people.

We aim to:

- provide excellent client centred services which enable people to live more independent and fulfilling lives
- invest substantially in new and existing housing provision
- strengthen the financial viability and sustainability of care and support activities
- expand service offerings for people who present with complex needs, for example homeless people, young people and those experiencing mental health issues
- continue to build on, and further develop, expertise in providing services for people recovering from alcohol and substance misuse, ex–offenders, people with learning disabilities, older people, those in need of Temporary Accommodation and those requiring move-on accommodation.

Strategic themes

Deliver high quality person-centred and outcome focused services which meet the needs of clients.

Ensure services are contemporary in design, effective and efficient.

Provide clients with meaningful involvement opportunities.

Grow housing, care and support services to meet the needs and aspirations of greater numbers of people requiring them.

Develop existing and new partnerships which can best enable us to deliver the services that clients seek.

Attract and retain a skilled and engaged workforce.

Invest in the development and wellbeing of our workforce.

Provide quality housing which meets the differing needs of the people that we serve.

Provide homes which are safe and secure.

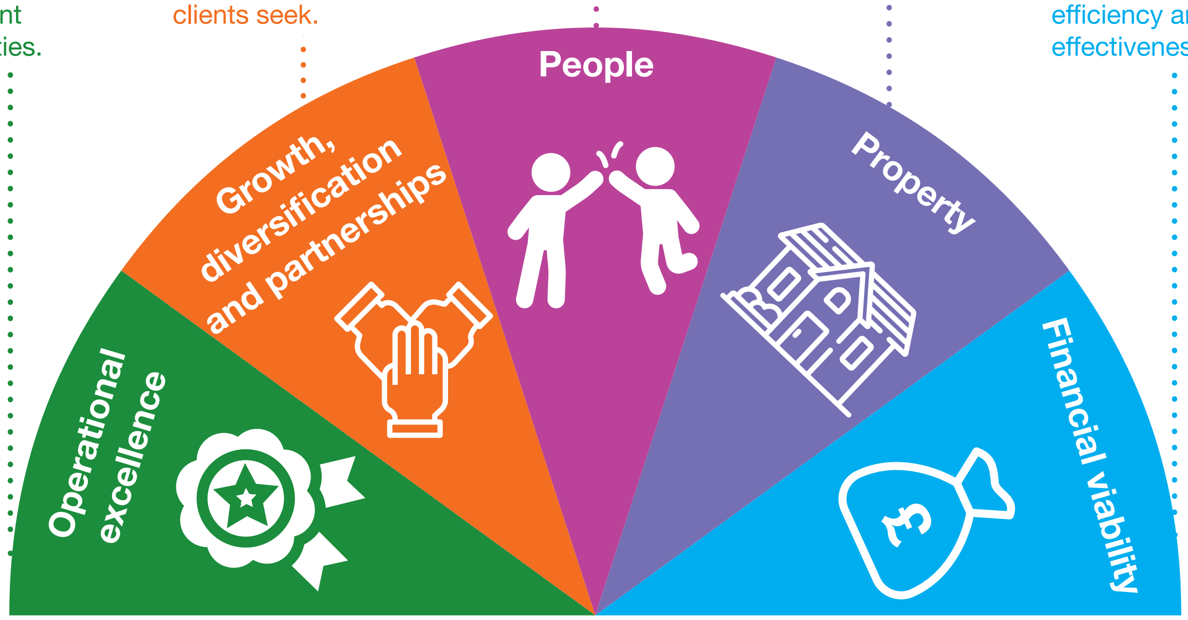
Deliver a growth in property to help more and more people in need.

Strengthen and secure Transform's financial position.

Increase borrowings to develop more housing.

Meet financial obligations.

Deliver greater value through improved efficiency and effectiveness.



Achievements during the year

Transform has helped 2,106 clients to improve the quality of their life and to meet their desired outcomes.

We enable people to address the issues they face, gain life skills and improve their health and wellbeing whilst building up their confidence. During the year, 435 clients (2018: 224) moved on after receiving housing related support services: of these 88% (2018: 81%) moved on in a planned way.

Client satisfaction

96.4% satisfied with support received to address financial matters (2018: 99.6%)	**93.0%** feel more secure since receiving our support (2018: 94.8%)	**96.0%** satisfied with the help received with health and support needs (2018: 97.8%)	**95%** feel happier since receiving our support (2018: 97.4%)

Through the provision of person-centred care services, we enable people to live independently, with dignity and with a good quality of life.

These services assist people with aspects of their daily life that they find difficult which may be as a result of illness, disability, getting older or coping with a crisis in their life.

The wishes of each individual client are central to what we do. We respect people's needs and preferences, offering choice in how best to satisfy individual requirements.

Quality of Care

Care & Support Workers enable each client to develop their individual care plan to improve their quality of life.

Of those that responded:

100% felt Transform staff treated them with dignity, respect and compassion (2018: 100%)	**100%** rated Transform as either 'good' or 'outstanding' (2018: 98%)	**100%** were satisfied with the care and support they received (2018: 100%)	**100%** of clients felt that they were involved in their initial assessment (2018: 96%)
86% of these were 'very satisfied' (2018: 78%)	**54%** rated the service 'outstanding' (2018: 42%)	**84%** of these were 'very satisfied' (2018: 77%)	

Against a backdrop of ongoing financial constraints, our main focus is to continue to provide clients with high quality housing, care and support.

Housing & Support Officers enable people to not only sustain independent living but live more fulfilled lives.

Exit questionnaire

In our exit questionnaire, clients compared, how they felt at the beginning and end of receiving our service and have seen improvements as follows:

100% of clients feel happier since receiving our support (2018: 93%)

98% are able to cope with life's challenges (2018: 92%)

98% feel more independent (2018: 93%)

93% felt more confident (2018: 92%)

Clients also feel that the support provided has led to noticeable improvements in their ability to manage:

100% their personal finances (2018: 83%)

97% physical health (2018: 91%)

100% emotional and mental wellbeing (2018: 83%)

87% relationships with family and friends (2018: 83%)

The survey of former clients (approximately one year after they leave) completed in May 2019 shows:

Long-term outcome monitoring

92% felt the skills developed had been successfully maintained (2018: 91%)

100% said support received helped them to maintain settled accommodation (2018: 95%)

63% are currently in employment, education, voluntary work or taking part in community activities (2018: 86%)

100% felt Transform has helped them improve their general quality of life (2018: 95%)

89% continue to identify improvements in their happiness, security, confidence, community involvement, independence and self-respect (2018: 90%)

Investing in properties

During the year, we invested £4.3 million into properties, including £1.9 million in existing housing units (either on remodelling costs or component replacements such as windows) and £2.4 million to acquire new housing units. The following summarises investment activity:

- We completed ongoing remodelling work in two schemes in Sutton, providing accommodation for those who are temporarily homeless and in need of temporary accommodation.
- We completed the remodelling work on two further schemes after one sustained fire damage and a second sustained water damage, both during the previous year (2017/18).
- We purchased three properties in Walton-on-Thames from PA Housing which are being used as shared accommodation and to provide temporary accommodation.
- We purchased two properties providing temporary accommodation for people in Runnymede.
- We purchased a property in Farnham for the Police & Crime Commissioners' service to support four clients with alcohol and drug issues.
- We secured an Extra Care service, Mitchison Court, with 35 bed spaces; additionally we have entered into a management agreement here to provide housing management services.

Financial performance

Turnover has grown to nearly £10 million, delivering an overall surplus of £1.2 million. We had a 7% increase in turnover but an 80% increase in surplus, which was mainly due to an exceptional surplus on asset sales. The financial performance during the year enhances Transform's overall financial viability.

Local authority contract negotiated position

Transform's principal funder is Surrey County Council with which we have a secured funding position.

Housing related support:

- A two year contract for the provision of support services for socially excluded groups was secured in April 2018.
- A four year contract for the provision of support services for young people was secured in April 2018.

Home based care:

- A four year contract was secured in October 2017.

Extra Care scheme contract:

- A three year contract was secured in September 2018 with a possible four year extension.

In addition, Transform has funding relationships with all the boroughs and districts across Surrey, as well as the **London Borough of Sutton** and **Crawley Borough Council**.

A two and a half year contract to support ex-offenders was secured in September 2018 from the **Police & Crime Commissioner's Office**.

A one year extension to provide dry and drug free support services for people with a history of substance misuse was secured in March 2019 from **Surrey Public Health**.

The housing related support contract with **Wokingham Borough Council** expires in March 2020 and we anticipate that the contract will be re-tendered later this year (2019).

The well-publicised financial challenges that local authorities are experiencing has led us to plan and implement contingencies accordingly in preparation of any forthcoming funding cuts.

Loan refinancing

At the year-end the loan facility with Barclays Bank was £13.9 million, of which £12.1 million was drawn and £1.5 million undrawn; additionally £6.5 million will mature at the end of October 2019.

During the year we undertook a tender process for loan finance, subsequently renegotiating an extension to the £6.5 million loan with Barclays Bank and a new £7.5 million loan with Unity Trust Bank.

Operating environment

Along with other housing, care and support providers, Transform operates in a challenging environment as income is generally constrained and operating costs are increasing.

a. **Rent cuts –** the rental income reduction by 1% was effective for the full year.

b. **Removal of Local Housing Allowance (LHA) cap** – after the consultation on the long-term funding of supported housing, the Government abolished the LHA cap and confirmed that the housing costs for supported housing will continue to be funded by housing benefit. As we helped influence the decision by responding to the consultation, this was welcome news for the sector including Transform.

c. **Housing related support funding uncertainties –** the political situation remains uncertain and Government's plans on the long-term financing of housing support and social care services have yet to be published. Local authorities' finances remaining under intense pressure.

d. **Care** has been significantly underfunded for a number of years. The income for state funded care packages is not even covering direct costs. These contracts are proving to be financially unviable and this area of the business is therefore under review.

e. **Staff recruitment and retention –** continues to be challenging with near full employment in Surrey. Further increases arising from the National Living Wage is contributing to pushing the care salaries cost upwards.

The continual reduction in income, combined with increasing costs, results in persistent erosion of operating margins.

Financial review

Transform recorded its highest ever surplus of £1.2 million for the year. This includes an exceptional surplus of £961,000 from asset disposals (see note 9 page 50). The underlying surplus was £247,000 (2018: £464,000) representing a 2.5% net margin and has decreased from last year. Turnover increased by 7% to £9.9 million, while operating costs increased by 10% to £9.3 million, resulting in margin erosion.

The increase in turnover was mainly realised in housing and care. During a period of rent cuts, a rental income increase was achieved through the handover of development units. We also secured an Extra Care service (Mitchison Court) in September 2018, with an annualised care income of £325,000. There were also positive increases in private care volumes. However, we had to deliver a £110,000 cut in support income on the housing related support contract, further diluting operating margins.

Operating costs were under pressure from recruitment and retention challenges, particularly for frontline roles. We increased salaries to attract the right level and calibre of staff to maintain service quality. These salary increases were not matched with corresponding increases in care and support contract values, thus eroding the financial viability of services. During the year we also invested heavily in improving the quality of some of the property stock.

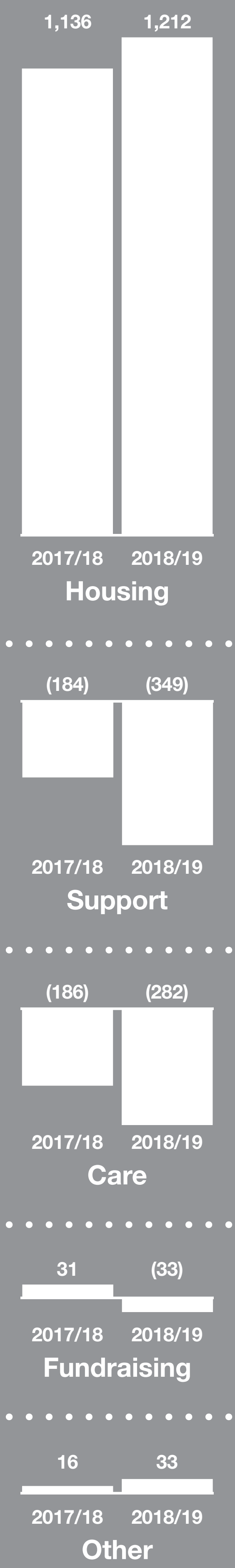
During the year there was a change in accounting policy with regard to the defined benefit section of the Social Housing Pension Scheme, a multi-employer pension scheme. Up to March 2018, this was accounted for as defined contribution pension scheme, as the Company's share of the net assets could not be reliably determined. The past service deficit liability was recognised to March 2018 at £266,000. A further liability for £544,000, was recognised as an 'acquired pension deficit' from the business combination with Cherchefelle Housing Association. Therefore we had recognised a total pension liability of £810,000 as at March 2018.

During the course of the current financial year, sufficient information has been available for the company to use defined benefit accounting from 1 April 2018. Accordingly, the pension scheme is accounted for as a defined benefit scheme. The reduction in the pension liability, arising from a transition from one basis of accounting to the other is shown as £596,000 in Other Comprehensive Income. The actuarial loss during the year of £136,000 was charged in the Other Comprehensive Income.

The year-end reserves were around £22 million of which £21.3 million (nearly 97%) was invested in housing properties, leaving £588,000 as 'free reserves'. Properties are used to provide suitable and safe accommodation for the people that we support, and generate a secure long-term rental income, providing Transform with good income security. The surplus is invested in properties enabling us to support more people.

We invested £4.3 million in properties, including £1.9 million on existing schemes either on remodelling costs or component replacements, and £2.4 million on new units. We disposed of a property that no longer met future needs for £850,000. The net investment of £3.5 million was funded by grants (£442,000), insurance claims (£200,000), and a bank loan (£1.5 million) with the remainder from surpluses.

Operating surplus



Capital structure and treasury

The treasury management strategy ensures that we mitigate and manage treasury related risks – liquidity, interest rates and covenants. We hold sufficient liquidity to fund operations for a minimum of 18 months, mitigating the impact of any adverse movements in interest rates, and ensuring loan covenants are met. In any treasury investment decision, we ensure that the 'return of capital' is more important than the 'return on the capital' i.e. lower risk investments.

Loan covenants are based on interest cover, gearing ratios and asset cover. Covenants are monitored through regular management accounting processes. The loan convenants are fully compliant at the year-end; financial forecasts and the business plan show compliance over the medium and long term.

At March 2019, £12.1 million was drawn from the total loan facility of £13.6 million. The balance of £1.5 million had full security backing and was able to be drawn when required and within three working days.

Of the total loan facility, around £6.5 million matures in October 2019. We have renegotiated with Barclays Bank, extending the facility for a further five years. We have also arranged a ten year loan facility with Unity Trust Bank for £7.5 million. Both of these loan agreements are to be signed by the summer of 2019.

Reserve policy

The financial statement shows reserves of £22 million, a strong financial position viewed favourably by lenders. Transform holds adequate reserves for the following reasons:

- **Working capital requirements** – housing, care and support have differing working capital requirements. Overall we need to hold around £750,000 of working capital.
- **Operational risk management requirements** – we need to manage ongoing operational risks (e.g. property fire damage; loss of key personnel or general workforce shortages; any disaster scenarios).
- **Income risk** – housing income is more reliable and predictable than support or care income. There is therefore a need to hold reserves to cover any unexpected income fluctuations.
- **Commitment** – we hold provisions to manage the impact of any unexpected reductions in support and/or care income thus allowing us to safely support clients through any transitional service arrangements.
- **Property** – we principally invest in property assets to provide accommodation for vulnerable clients, but investments also generate long-term income from rental flows and create additional wealth through any appreciation in property values, all of which is used to support Transform's work.

We have three types of reserves:

- **Restricted reserves** – provided by donors to be spent on specific client activities or schemes.
- **Unrestricted reserves unavailable** – generated through normal operations for the benefit of all clients but will have already been invested in fixed assets and are therefore not readily available.
- **Unrestricted reserves and available (free reserves)** – no restrictions on the use of these funds and they can be used to support Transform's work.

At year-end we held £588,000 in free reserves (2018: £971,000). Additionally we have an undrawn loan facility of £1.5 million that can be called upon as required. Based on both the reserve policy and contingency plans, we have set a free reserve target of £500,000 which we slightly exceeded as at March 2019.

George (left) from Transform and Caroline (right), a client, collecting a donation from Waitrose.

Five year financial summary

Statement of Comprehensive Income	2018/19 £000s	2017/18 £000s	2016/17 £000s	2015/16 £000s	2014/15 £000s
Turnover	9,920	9,272	7,473	6,565	6,316
Operating costs	(8,370)	(8,256)	(6,804)	(5,691)	(5,269)
Operating surplus	1,550	1,016	669	874	1,047
Net interest cost	(334)	(349)	(348)	(325)	(311)
Surplus before exceptional items	1,216	667	321	549	736
Exceptional item – gift from merger			4,026		
Surplus for the year	**1,216**	**667**	**4,347**	**549**	**736**
Statement of financial position					
Property assets (net book value)	45,545	42,062	41,857	33,731	31,031
Net current assets	762	1,557	387	965	2,845
	46,307	**43,619**	**42,244**	**34,696**	**33,876**
Loans and long-term liabilities	24,262	23,250	22,542	19,425	19,154
Reserves	22,045	20,369	19,702	15,271	14,722
	46,307	**43,619**	**42,244**	**34,696**	**33,876**

Our property and client numbers					
Number of housing units	888	848	827	616	590
Number of clients helped	2,106	2,126	2,157	1,177	1,045
Performance indicators					
Operating margin	16%	11%	9%	13%	17%
Net margin	12%	7%	4%	8%	12%

Value for Money approach

Our strategy is to ensure that we achieve optimum use of the valuable and diverse capital (people, resources, properties and our reputation) we hold. The approach to Value for Money (VfM) is as follows:

- improving our performance and outcomes
- increasing client satisfaction
- managing down the cost of our services.

We carry out annual client surveys and continually monitor performance. This provides assurance that services are delivered to the necessary standards. In line with the requirements of the Registered Social Housing's (RSH) Value for Money Standard and the Code of Practice, the outcomes that we delivered and the client satisfaction rates achieved are shown in the business scorecard on page 23.

This approach ensures that VfM is fully embedded across the organisation. Transform's strategic objectives are cascaded from the Board to the Executive Team and to frontline staff through service plans, team and individual plans.

Our performance

Performance is measured against the key VfM performance indicators. These indicators are based on the 'sector score card measures' and the 'VfM metrics' set out by the RSH together with the additional indicators linked to the strategy.

We benchmark the VfM indicators where appropriate against comparable housing providers to help us understand our performance and inform any improvement plans and targets.

We have used the valuable data provided by RSH's Global Accounts 2018 and the VfM Metrics – Summary 2018. The RSH's analysis recognises that supported housing providers face a different set of challenges and risks, compared to general needs housing providers. We have therefore selected the following supported housing providers with a similar business model to Transform, so that performance can be measured effectively.

a. RSH Global Accounts 2018
(supported housing benchmark)

b. Advance Housing & Support
(supported housing 66%)

c. St Mungo Community Housing Association
(supported housing 95%)

d. Reside Housing Association
(supported housing 99.5%)

e. Inclusion Housing Community Interest Company
(supported housing 93.4%)

f. Framework Housing Association
(supported housing 82%)

g. Look Ahead Care & Support Limited
(supported housing 95%)

The **Business Score Card** on page 23 shows performance data compared internally (against targets, last year's performance and the three year trend) and externally (against comparable supported housing providers).

Business scorecard

	Business score card	RAG	Quartile	Mar 19	Mar 18	Benchmarking								Trend
						Target/ budget	A	B	C	D	E	F	G	
Financial viability matrix [1]														
1	Operating margin (overall)	🟢	Upper	6%	9%	6%	15%	6%	5%	3%	7%	1%	1%	↑
2	Operating margin (by activity)													
	Housing	🟢	Upper	22%	21%	20%	20%	13%	1%	3%	7%	1%	8%	↔
	Support	🔴		(13%)	(7%)	(11%)								↓
	Care	🔴		(20%)	(20%)	(8%)								↔
	Fundraising	🟢		(28%)	18%	20%								↓
3	Interest cover ratio (EBITDA MRI)	🟢	Lower	2.4	2.4	2.5	2.38	5.91	3.99	6.32	6.21	3.69	3	↔
4	Units managed	🟢		888	848			2,293	2,425	1,270	1,814	1,115	2,377	↑
Operating efficiencies [2]														
5	Headline social housing cost per unit (£000's)	🟢	Upper	£10.5	£10.0	£12.0	£10.0	£10.6	£23.0	£10.2	£11.0	£20.7	£24.2	↑
6	Housing management cost per unit (£000's)	🟢	Upper	£0.5	£0.7	£0.6		£1.1	£8.4	£1.9	£1.2	£3.4	£3.9	↓
7	Maintenance cost per unit per week (£000's)	🟢	Lower	£1.2	£1.0	£1.0		£2.0	£1.0	£0.8	£0.5	£2.3	£0.9	↑
Outcomes delivered														
8	Number of clients helped [3]	🟢		2,106	2,126	2,100								
9	Planned move-ons [3]	🟢		88%	81%	75%								
10	Client satisfaction [4] quality of housing	🟢		95%	97%	95%								
	quality of support	🟢		99%	100%	95%								
	quality of care	🟢		100%	100%	95%								
Efficient asset management [5]														
11	Return on capital employed (ROCE)	🟢	Upper	3.4%	2.3%	3%	2.6%	2.8%	4.5%	2.6%	28.0%	0.5%	0.4%	↑
12	Occupancy	🟢		94%	93%	93%								
13	Planned maintenance %	🟢		43%	29%	30%								
Development capacity [6]														
14	Units delivered	🟢		13	8	10								
15	Units delivered as % units managed	🟢	Upper	5%	2%	3%	1.2%	2.4%	1.5%	0.0%	14.9%	7.8%	0.8%	↑
16	Re-investment % of property costs	🟢	Upper	10%	2%	3%	3.3%	5.4%	4.2%	5.7%	15.9%	7.6%	2.4%	↑
17	Gearing %	🟢	Median	23%	21%	27%	15%	3%	28%	26%	36%	3%	3%	↑

Key	
Target achieved	🟢
Target not achieved	🔴

[1] **Business health:** The operating margins (both overall and social housing) have significantly increased during the year. The surplus on asset disposals has contributed to this. The increase was achieved on the back of the 1% rent cut and increased maintenance costs. Growth in the number of housing units in management has further contributed through realising cost efficiencies. Transform's operating margins compare well against the others that we have benchmarked.

[2] **Operating efficiencies:** The headline operating cost per unit is a key cost efficiency measure used by RSH. The regulators median annual cost per unit for all large (>1,000 units) housing providers was £3,290. Among this cohort, only 4% are supported housing providers and their median annual cost per unit was £5,940. RSH recognised that this may not be a representative cost for supported housing providers and commissioned further work into regression analysis. This showed an increased cost per unit for supported housing providers, ranging between £10,000 and £14,000 (dependent on the support needs of the clients).

Transform generally provides medium level support for clients (around four hours of support per week, per client). We have therefore used an **average cost of £12,000 per annum** in the benchmarking. Transforms headline cost per unit is shown as £10,500 and compares well against the average cost for supported housing providers. The housing management cost and maintenance cost per unit compares well against the selected peer group. The increase in the maintenance cost per unit reflects the health and safety related maintenance costs carried out during the year.

[3 4] **Outcomes delivered:** We supported 2,106 clients and client numbers have been broadly similar over past years. We measured the proportion of clients achieving a positive move-on after receiving support; of those, 88% moved on in a planned way. The annual client satisfaction surveys show a high satisfaction rate of quality of housing: 95.8%, quality of support: 98.7%, quality of care: 100%.

[5] **Efficient asset management:** The return on capital employed (ROCE) is above the target and within the top quartile amongst peers. The increase in occupancy rates contributed towards the resulting higher return. The repairs ratio shows how much we spend on responsive repairs compared to planned maintenance and on improvement works. The lower that this ratio is, the better we are controlling the repairs spend. We revised the planned maintenance programme due to some properties requiring additional repairs to ensure compliance with standards.

Benchmarking: We have benchmarked Transform against five other supported housing providers. Transform ranks in the top quartile for seven criteria; the median quartile in one criteria (gearing %), and lower quartile for two measures (Earnings Before Interest Tax and Amortisation Major Repairs Included (EBITDA MRI) and maintenance cost per unit per week). This benchmarking exercise demonstrates our good relative performance among other comparable supported housing providers.

[6] **Improvement plans:** The RSH's VfM report mentions that supported housing providers tend to have a lower level of gearing as they have less financial capacity to support debt. The benchmarking shows that around the median level of balance sheet gearing (27%), the interest cost will be higher compared to the earnings and the EBITDA MRI ratio is lower compared to the peers.

The loan covenants require a minimum EBITDA MRI of 1.1 and we are comfortable with the current position.

The maintenance cost per unit was high during the year due to catchup repairs ensuring compliance with both decent homes standard and health and safety. These maintenance costs should return to normality in the next couple of years.

VfM gains: The VfM approach realised VfM gains of £297,000 (2018: 208,000) which is above the target of £230,000. This VfM gain represents around 3.2% on annual operating costs of £9.3 million. The target gain for 2019/20 is £300,000.

Social value

The housing, care and support services provided by Transform have an impact on two levels;

- the **benefits to the individual** we are supporting and
- **benefits to society** as a whole.

These combined benefits are referred to as the **social value** of the services we provide. This social value is created through:

Properties
We provide safe and secure homes for clients, where they can gain stability in their lives. This stability is both a safety net and a spring board to a better life.

Support and advice
The support and advice provided by staff enhances the independence and quality of life for clients.

Community activities
Participation in training, education and volunteering improves the wellbeing and life chances of clients.

We aim to create sufficient social value from the investment decisions that we make. Measuring the social value created by what we do ensures we squeeze the maximum value from every pound we invest. This enables us to make informed and evidence based investment decisions by measuring the outcomes that are important to both clients and other stakeholders.

Our **'social value measurement tools'** address the following key questions:

1. Has our **intervention** caused a change in **outcomes** for clients?
2. What is the value of the change?

We use two different models to determine the value of the change (social value):

- **HACT wellbeing valuation model** – to determine the **impact for the client**
- **Capgemini benefits realisation tool** – to determine the **impact for society** (e.g. savings to the public purse).

Wellbeing gains
The client satisfaction survey showed that, on average, **86.8% of clients had noted an improvement in their wellbeing** (i.e. how they manage their physical/emotional/mental health) as a result of the support provided by Transform.

Social value case study

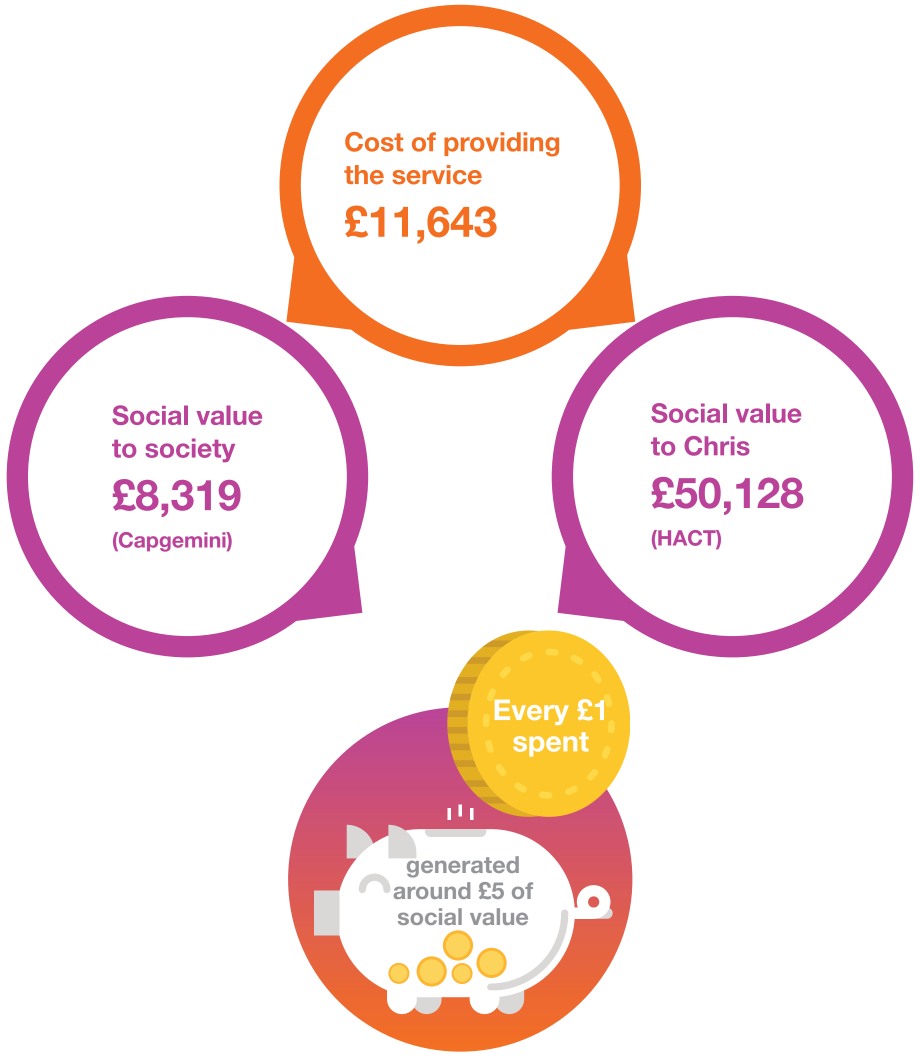
To provide an example of the benefits realised by the work we do, we have assessed the social value of our services for one client, Chris, who has been living with Transform since October 2012.

We considered Chris's story and the journey he has been on since moving to Transform. We then used social value tools to measure the **impact of the support** provided by Transform and to place a financial value on the outcomes achieved.

The **HACT wellbeing valuation model** was used to calculate the wellbeing benefits to Chris of the housing and support provided by Transform. We have used the standard values provided by HACT to place a financial value on these improvements. These values represent the amount of extra income a person would need in order to increase their wellbeing by the same amount as the support provided.

We also used the **Capgemini benefits realisation tool** to ascertain the financial savings to the public purse as a direct result of the support provided by Transform.

By combining the two, we are able to determine the overall social value of the support provided by Transform. We can compare the social value to the cost of providing housing and support to Chris and the resulting cost/benefit ratio.



Chris's story shows the power of persistence

Chris started using drugs when he was 14 years old. Although not diagnosed until much later, Chris was suffering from attention deficit hyperactivity disorder (ADHD), a condition which can cause impulsivity, short temper and poor concentration. For Chris, ADHD felt "like a washing machine in my head". He found that drugs helped him cope with his thoughts, so he started using cannabis and alcohol. This soon escalated to include ecstasy, cocaine and, ultimately, heroin.

Chris's drug use led to crime and, in 2001, he was convicted of GBH, receiving a three-and-a-half year custodial sentence. After leaving prison, Chris's drug use continued to grow until he reached the point where he was heavily dependent on using every day. "All I wanted to do was smoke heroin… before I knew it I needed £50 just to get up".

By 2012 Chris was in crisis. His physical and mental health was deteriorating, his teeth were rotting away, he was gaunt, breathless and sweating constantly. "I just felt completely worn out – it was just wearing me down." Chris realised he had to take action. He began attending Narcotics Anonymous and Alcoholics Anonymous meetings and then completed a detox programme at Windmill House in Surrey. On completion of the detox programme, Chris moved to one of Transform's dry and drug free houses. For the first time since he was 14 years old, Chris was free from alcohol and drugs. He attended the group meetings and one-to-one support meetings with Transform staff and successfully got through his first Christmas in recovery. However after about six months he relapsed and started to use heroin again. Looking back now, Chris can see that he wasn't able to handle his feelings. "I wasn't ready for the emotional side of recovery – that was what got me."

"Transform has helped save my life. Without them there would be more victims of crime and I would be in prison or dead."

Having relapsed within a dry and drug free house, Chris had to leave the property. At the same time, it was apparent to Transform staff that Chris was sincere about his recovery and that he had been making good progress. Chris clearly still needed Transform's help and without it there was a very real risk he would become homeless and return to full-blown heroin addiction and possibly crime. We offered Chris the chance to move to another Transform shared house on the understanding that he recommit himself fully to his recovery. Over a three year period between April 2013 and November 2016, with the support of Transform staff, Chris worked hard on his recovery, gradually developing his confidence and independent living skills until he reached the stage where he felt ready to move on to his own self-contained flat with Transform.

Initially things went well, but after several months Chris was seen entering his home by his previous drug associates. They began calling at his flat and, very quickly, Chris was drawn back into his old pattern of behaviour. His addiction returned full force and his flat became a known meeting place for drug users and dealers in the local area. Police raided his flat and he was arrested. Chris sees this time as being his "rock bottom" where he felt nothing but "shame and guilt… It was me messing my life up – no one else. I realised I had to make a change."

Transform offered Chris another chance. If he was willing to give up his flat, relocate to a new area so he was away from old drug associates, engage with the substance misuse service and re-commit to his recovery, then we would offer him a place in one of our ex-offender shared houses. Chris took up the offer and started to attend meetings with the substance misuse service, where he was prescribed an opiate substitute to help him cope with his cravings. That was just over one year ago. When his case came to court in March 2019, Chris took full responsibility for his actions and was given an 18 month probation order with a 9 month suspended sentence.

Chris has been drug free during that time, taking only prescribed medicines. He attends weekly 'SMART' groups run by iAccess which focus on coping with thoughts and feelings, and managing cravings in recovery. He also attends weekly probation meetings and undertakes voluntary work every Friday at a local dog shelter – something which he loves doing. As he explained, "Everything I was doing 12 months ago I've tried to change… [I'm feeling] a lot calmer. Content with what I'm doing as I'm doing the right thing. If you do right, you feel right". For Chris the past year feels "like a new era, a new chapter. I'm looking forward to the future with optimism."

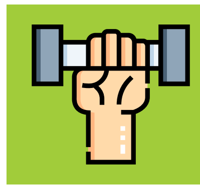
Chris sees the fact that Transform has never given up on him as a key factor in the progress he has made. For Chris, "Transform has helped save my life. Without them there would be more victims of crime and I would be in prison or dead. There would have been a lot more pain and suffering."

Improvements in Chris's wellbeing

With the support of Transform, Chris has achieved the following improvements in his life:

Mental health

Chris's addiction masked various mental health problems including anxiety, depression and mood swings. Some of these are related to the ADHD which he has experienced since a child but which was only diagnosed in 2016. Since being in recovery he has been able to focus on processing feelings, which have been masked, and on addressing his ADHD. As Chris explained, "I feel more balanced... more calm. I feel more relaxed."

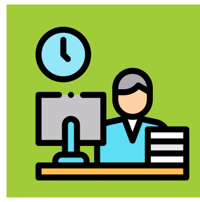


Physical health

In addiction, Chris's physical health was very poor. Now in recovery he is exercising regularly and is looking after himself.

Finances

In addiction Chris had little control over his finances. Now in recovery he has been able to repay his debts and is even able to save a small amount each month. From a position of being "allergic to responsibilities", Chris is now able to take full responsibility for managing his finances.



Employment

Chris now volunteers once a week at a local dog shelter. He enjoys this so much he is hoping to increase this to two days a week. "I love it… that's where my passion lies."

Offending

In addiction, Chris's chaotic life placed him at constant risk of criminal activity. Through the support of Transform Chris has been able to take responsibility for his past and avoid any further offending. This doesn't just benefit Chris, but also crucially means there are less victims of crime and less money spent on courts and the police. Had Chris continued offending and received a custodial sentence, it would have cost society **£38,042** per year in prison costs (Bromley Briefings Summer 2018).

By supporting Chris to make long-term, positive changes to his life, we have generated social value that will benefit Chris, and society as a whole.

Risk management

The Board is responsible for the risk management process and has identified key risks and uncertainties agreeing the related mitigation plans:

Risk	Comments	Mitigations
Government regulations	Uncertainty on the future of both support and care funding; 1% rent cuts.	Whilst the majority of the support and care funding is secured for two years, operational cost efficiency savings help us to manage cuts.
Over reliance on single local authority	Income from Surrey County Council represents nearly 90% of the support income and around 65% of the care income.	We are seeking to secure revenue income from additional funding partners thus spreading risk. Diversification into new activities and from local authority funding (temporary accommodation, or homelessness funding).
Staff recruitment and retention	Staff vacancies reduce the capacity to deliver a consistent quality of service.	Deliver on the recruitment targets for frontline staff. Review recruitment approaches. Implement actions which will help to improve retention rates.
Health and safety issues	Post Grenfell Tower, there is a strong emphasis on fire regulations and building controls. The Social Housing Green Paper emphasises landlord's responsibilities and the need for stronger engagement with tenants and stricter health and safety compliance.	Health and safety compliance review, two year cycle on fire risk assessments and the recommendations implemented within one year. We have significant budget allocation (£100,000) to deal with repairs and improvements. The Board and Executive closely scrutinise health and safety issues.
Treasury risk (insufficient liquidity)	Part of the loan facility with Barclays Bank matures in October 2019. This had become significant in the Brexit environment.	Detailed five year cash forecasting is adequately funded to cover a minimum of 18 months of development activity. Loan refinancing will be in place by the summer of 2019.

Repercussions from the Grenfell Tower fire, Brexit and the political uncertainty makes the external environment complex and changeable. We continue to closely monitor Government policy and seek to influence and respond to consultations where appropriate.

The Social Housing Pension Scheme defined benefit obligation was recognised in the financial statements for the first time. At the time of the merger we had recognised a higher pension liability using a fair value measure and therefore this change had resulted in significant credit in this year's Other Comprehensive Income. However, any future adverse movements in pension deficit may negatively impact Other Comprehensive Income.

Transform was preparing for a 'No deal' Brexit scenario. However, with the delay in this critical date from 29 March to 31 October 2019, when the UK will cease to be a member of European Union (EU), contingency plans have been extended. The continuing uncertainty around the political situation and the potential risks from a disorderly Brexit still poses a risk to Transform. We will continue to monitor this closely.

Any emerging risks are covered by the Executive Team and updated, then reviewed by the Board. The risk management is reported quarterly to the Finance & Audit Committee with updates provided to the Board.

Governance

Legal status

Transform Housing & Support is a company limited by guarantee, registered as a housing provider and as a charity, registered as a care provider and registered with the Fundraising Regulator (see note 1 on page 42).

The Board

The Board is the ultimate governing body. Transform's Board of Directors comprised 11 members who meet six times a year and hold an additional strategy away day.

The Board carries out a 'skills audit' periodically and specifically when making new appointments. Board members are drawn from a range of professional and business backgrounds. Three people stepped down during the year and a recruitment drive was implemented in early 2019. The Board is grateful for their contributions over the years. In July 2019 we were sad to receive the resignation from Christopher Relleen, Chair of the Finance & Audit Committee, and are grateful for his professional knowledge and contributions.

The Board carries out annual appraisals and has regular evaluation of Board effectiveness.

Delegation

The Board delegates some of its responsibilities to functional Committees. Each Committee has clear terms of reference and delegated authority. The Committee Chairman reports to the Board after every Committee meeting, where recommendations are fully considered and approved where appropriate.

Finance & Audit Committee: This Committee overseas the finance function, internal and external audit activities, risk management and the internal control framework. The Committee gains internal assurance through the internal control system and external assurance from the internal and external audit process. The Committee meets four times a year.

Fundraising Committee: This Committee supports the Board in giving greater emphasis to fundraising. The Committee meets three times a year.

People Committee: This Committee supports the Board on people issues, particularly in view of the growing staff numbers. The Committee meets three times a year.

The **Nominations Committee** supports the Board in its consideration of leadership needs for Transform. It is an ad-hoc committee which meets when required.

During the year the **Quality of Care Committee** was discontinued and its responsibilities reverted back to the Board.

Executive Team: The Board delegates the day-to-day operational management to the Chief Executive, who is supported by the Executive Team members. Details of the Executive Team is shown on page 8.

Code of governance

Transform's Board has adopted, and is compliant with, the requirements of the National Housing Federation's code of Governance 2015 edition. The Board is committed, and supports adherence, to high standards of corporate governance.

Compliance statements

Transform has undertaken an assessment of compliance with the Governance and Financial Viability Standard as required by the Accounting Direction 2015. The Board can confirm that no evidence of non-compliance has been identified since last reported.

Public benefit entity

Transform's aims, objectives and activities demonstrate public benefit as defined by the Charity Commission. The Board ensures that all planned activities meet set objectives.

The services we provide help those on the margins of society to overcome the difficulties they face in their lives. This can include issues resulting from relationship breakdown, debt, poor mental health, offending behaviour or substance misuse. All of Transform's work is undertaken to further the charitable purpose of public benefit.

Fundraising statement

We are committed to protecting donors and the public, including vulnerable people, from any unreasonably intrusive or persistent fundraising approaches and will not apply any undue pressure on them to donate. We deal with existing and potential donors both gently and with extreme care, protecting the charity's reputation and values. We will work with some gentle persuasion but we do not use any external professional fundraising services.

To provide further reassurance, and to demonstrate compliance with the regulation for fundraising activities, we are registered with the Fundraising Regulator. We have adopted the regulator's Code of Fundraising Practice, and use the Fundraising Regulator's logo on all fundraising communications.

Transform has not received any requests to remove or suppress donor data from the Fundraising Preference Service. We have a process in place to deal with complaints and are pleased to confirm that we have not had any related to fundraising during the year.

We have carried out an internal review and have no evidence of non-compliance with the Fundraising Regulator's standards, as required by the Charities (Protection and Social Investment) Act 2016. In light of the revised Code of Fundraising Practice issued in June 2019, we will be undertaking a second internal review to ensure compliance by October 2019 when the revised Code becomes effective.

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 surplus or deficit 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 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. They ensure that the financial statements comply with the Companies Act 2006. They are responsible for safeguarding the assets of the Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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, including Transform's website.

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 to eliminate, the risk of failure to achieve the business objectives and to provide reasonable assurance against material misstatement or loss.

The process of identifying, evaluating and managing significant risks facing the organisation is ongoing. It has been in place from 1 April 2018 to the date of board approval (8 August 2019).

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 including regular supervision and appraisals

- 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
- the internal audit programme carried out by the internal auditors TIAA provided confidence to the Board
- 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 of any such occurrence to the Finance & Audit Committee. During the year there were no incidents of fraud. With the increasing incidence of cyber fraud we have reviewed the controls around this and also have obtained cyber essentials certificate which recognises good practice in the industry. The internal audit partner from TIAA attends the Finance & Audit Committee meeting every year, providing assurance to the Committee and the Board.

External auditors

Nexia Smith & Williamson were appointed as external Auditors at the Annual General Meeting on 27 September 2018. A resolution for their re-appointment will be proposed at the forthcoming Annual General Meeting on 26 September 2019.

By Order of the Board

Mark Austen
Chairman
8 August 2019

Financial statements

Auditors report

Nexia Smith & Williamson

Report of the independent auditors to the members of Transform Housing & Support

Opinion

We have audited the financial statements of Transform Housing & Support (the 'Company') for the year ended 31 March 2019 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 notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including 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 Company's affairs as at 31 March 2019 and of its surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been 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.

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 Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (FRC) Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Board members' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Board members have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least 12 months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the financial statements, other than the financial statements and our auditor's report thereon. The Board members are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report (incorporating the Board members' report) for the financial year, for which the financial statements are prepared, is consistent with the financial statements; and
- the strategic report (incorporating the Board members' report) have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report (incorporating the Board members' report).

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- 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 Board members' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Board members

As explained more fully in the Statement of Board's Responsibilities set out on pages 33-34, the Board members are the directors of the Company for the purposes of company law. The Board members are 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 members determine 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 members are responsible for assessing the Company'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 members either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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

Jonathan Pryor

Jonathan Pryor
Senior Statutory Auditor for and on behalf of Nexia Smith & Williamson
Statutory Auditors Chartered Accountants

25 Moorgate, London WC2R 6AY
22 August 2019

Statement of Comprehensive Income for year ended 31 March 2019

	Note	2019	Restated 2018
		£000s	£000s
Turnover	3	**9,920**	**9,272**
Operating expenditure	3	(9,331)	(8,459)
Gain on disposal of property, plant and equipment	9	961	203
Operating surplus		**1,550**	**1,016**
Interest receivable	7	6	3
Interest and other financing costs	8	(340)	(352)
Surplus for the year		**1,216**	**667**
Other Comprehensive Income:			
Initial recognition of multi-employer defined benefit scheme	24	596	-
Actuarial loss in respect of pension scheme	24	(136)	-
Total Comprehensive Income for the year		**1,676**	**667**

The financial statements on pages 38 to 60 were approved and authorised for issue by the Board of Directors on 8 August 2019 and were signed on its behalf by the following officers:

Mark Austen	**Robert Mills**	**Ratna Sukumaran**
Chairman	Deputy Chairman	Company Secretary

The notes on page 42 to 60 form part of these financial statements.

Statement of financial position as at 31 March 2019

	Note	2019	2018
		£000s	£000s
Fixed assets			
Property, plant and equipment	11	**45,545**	**42,062**
Current assets			
Trade and other debtors	12	899	1,142
Cash and cash equivalents	13	1,791	1,988
		(2,690)	3,130
Creditors: amounts falling due within one year	14	(1,928)	(1,573)
Net current assets		762	1,557
Total assets less current liabilities		46,307	43,619
Less: creditors – amounts falling due after more than one year	15	(23,929)	(22,690)
Pension – deficit funding liability		-	(544)
Pension – defined benefit liability	24	(317)	-
Other provisions for liabilities and charges	19	(16)	(16)
Total net assets		**22,045**	**20,369**
Capital and reserves			
Restricted reserve		146	129
General reserve - invested in property		21,311	19,269
- free reserve		588	971
		22,045	**20,369**

The financial statements on pages 38 to 60 were approved and authorised for issue by the Board of Directors on 8 August 2019 and were signed on its behalf by the following officers:

Mark Austen	**Robert Mills**	**Ratna Sukumaran**
Chairman	Deputy Chairman	Company Secretary

The notes on pages 42 to 60 form part of these financial statements.

Statement of changes in reserves for year ended 31 March 2019

	Restricted reserves	General reserves		Total
		Invested in property	Free reserves	
	£000s	£000s	£000s	£000s
Balance at 31 March 2017	112	19,712	(122)	19,702
Surplus for the year	-	667		667
Other Comprehensive Income for the year	-	-		-
Total Comprehensive Income for the year	-	667		667
Transfer between reserves	17	(1,110)	1,093	-
At 1 April 2018 as restated	129	19,269	971	20,369
Surplus for the year		1,208		1,208
Other Comprehensive Income for the year	-	468		468
Total Comprehensive Income for the year	-	1,676		1,676
Transfer between reserves	17	366	(383)	-
Balance at 31 March 2019	**146**	**21,311**	**588**	**22,045**

Statement of cash flows for the year ended 31 March 2019

	Note	2019		Restated 2018	
		£000s	£000s	£000s	£000s
Net cash generated from operating activities	22		1,777		1,229
Cash flow from investing activities					
Purchase of tangible fixed assets		(4,332)		(956)	
Proceeds from sales of fixed assets		1,020		23	
Grants received		442		173	
Interest received		6		3	
Net cash used in investing activities			(2,864)		(757)
Cash flow from financing activities					
Interest paid		(340)		(352)	
Further borrowing		1,500		1,000	
Repayment of borrowings		(270)		(270)	
Net cash used in financing activities			890		378
Net change in cash and cash equivalents			(197)		850
Cash and cash equivalents at:					
Beginning of the year			1,988		1,138
End of the year			1,791		1,988

Notes to the financial statements

1. Legal status

Transform Housing & Support is

- a company limited by guarantee (registered in England and Wales with number 01057984)
- registered with the Homes and Communities Agency (H2452)
- the Charity Commission (264133).

As a charity Transform is regulated by the Fundraising Regulator. The principal activity of the Company is the provision of housing and support to vulnerable clients.

In addition, the Company provides care and supported living services and is registered with the Care Quality Committee.

2. Accounting policies

The principal accounting policies are summarised below. Except as explained, they have all been applied consistently throughout the year and to the preceding year.

Basis of accounting
The financial statements have been prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including Financial Reporting Standard 102 (FRS 102), and the Housing SORP 2014: Statement of Recommended Practice for Registered Social Housing Providers, and comply with the Accounting Direction for Private Registered Providers of Social Housing 2015.

Transform's objectives are to providing housing, care and support services and to improve the wellbeing for vulnerable and socially excluded people and therefore can be considered as a Public Benefit Entity (PBE), in accordance with FRS 102.

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 considers it appropriate to continue adopting the going concern basis in preparing the financial statements.

Significant management judgements
The following are management judgements in applying the accounting policies for the Company that have the most significant effect on the amounts recognised in the financial statements.

a. **Impairment of housing properties:** Two schemes in the London Borough of Sutton (LBS) became vacant a couple of years ago. The LBS proposed to use these two schemes for temporary accommodation, for homeless families within Sutton. LBS has provided grants of £197,000 and £150,000 to modify these properties so that they suit this type of client group, and accordingly, the necessary planning permission has been obtained. However, during construction, further requirements of the building specifications led to project delays and additional costs. Revised assessments of the remodelling showed the costs of £591,000 and £1,070,000 respectively. Both schemes were completed and brought into housing management during the year. Management had carried out an impairment review for the two properties and concluded that there were no impairment provisions required.

b. **Property damage and the insurance settlement:** Last year two properties, Dorking and in Redhill, were damaged by fire and water leakages respectively. Damages were covered within our property insurance policy. These insurance claims were settled during this financial year and the settlement amounts have been used to determine the surplus on disposing the damaged property components.

c. **Changes to defined benefit pension accounting:** The Company participates in the defined benefit section of the Social Housing Pension Scheme, a multi-employer pension scheme. To 31 March 2018, the scheme was accounted for as a defined contribution pension scheme, as the Company's share of the net assets could not be reliably determined. However, since the merger in October 2016 with Cherchefelle Housing Association, we have recognised an additional liability as an 'acquired pension deficit' through business combinations. During the course of the current financial year, sufficient information has become available for the Company to use defined benefit accounting from 1 April 2018. Accordingly, for the current financial year, the pension scheme is accounted for as a defined benefit scheme. Part of the movement arises from an over estimation of the pension liability attributable to the acquired pension deficit. Both the movement in the net liability arising on the transition from one basis of accounting to the other are reflected in Other Comprehensive Income. Detailed information is provided in note 24 to the financial statements.

d. **Supported Housing funding:** During the year, the Government concluded its consultation on the long-term funding of supported housing, abolishing the Local Housing Allowance (LHA) cap, and confirmed that the housing costs will continue to be funded by the housing benefit system. These measures provide good assurance on the funding of supported housing.

However a number of local authorities, including Surrey County Council (SCC), are facing financial constraints. SCC, being our primary funder of support income, poses a number of uncertainties for Transform. As a result Transform is developing contingency plans which will help mitigate any potential support income cuts and we are confident that the short and medium-term financial viability will not be unduly affected. Therefore no impairment or cost provision is included in the accounts.

e. **Care funding:** This has not kept up with the increase in care operating costs, resulting in care deficits. Transform is closely monitoring and reviewing this activity, so as to ensure viability. The state funded home based care provision is a particular area of concern and we are seeking to take actions to address this. The care activity represents around 14% of the turnover and, even if a decision is made by the Board to discontinue state funded home based care activity, Transform's overall financial viability will not be unduly affected.

f. **Disposal of a property:** Last year, Transform entered into a sale agreement with a property developer with a property in Godalming for £850,000 with an expected legal completion by March 2019. The accounting policy recognises the disposal transaction on legal completion and therefore the surplus on the disposal was recognised in the current year (see note 9).

Other key sources of 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.

a. **Defined benefit obligation:** The defined benefit obligation was based on a number of critical underlying assumptions such as standard rates of inflation, mortality, discount rate and anticipation of future salary increases. Variations in these assumptions may significantly impact the liability and the annual defined benefit expenses (as analysed in note 24). The net defined benefit pension liability at 31 March 2019 was £317,000.

b. **Loan refinancing:** We have two loan facilities with Barclays Bank (Facility A – £7.4 million facility that matures in 2037: and Facility B – £6.5 million facility maturing in October 2019). We have agreed a new loan facility with Barclays Bank that extends £6.5 million of the Facility B loan for further five years. This will also result in the Facility A loan period reducing to 2029. The accounting policy is to recognise this loan re-measurement when the revised loan agreements are approved by the Board and signed. We expect this loan to be in place by the summer of 2019 and the surplus (deficit) on the loan re-measurements to be reflected in next year's financial statements.

We have also agreed a further new loan facility with Unity Trust Bank for £7.5 million, and we are in the process of working through the legal documentation and the securitisation details. We expect this loan agreement to be approved by the Board, signed by the summer of 2019 and be able to immediately provide additional loan facility for Transform. The related legal and securitisation costs spent during the year have been capitalised and will be amortised over the period of the loan.

Turnover and revenue recognition – turnover represents rental income receivable, support grants and care income from local authorities amortised capital grants, 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 at which 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.

Donation of net assets – in a merger or otherwise, when an entity donates its assets and liabilities to Transform, the donated assets and liabilities are recognised at their fair value. Any excess of the net fair value of assets and liabilities donated over costs incurred is then recorded as an exceptional income within the Statement of Comprehensive Income.

Financial instruments
Financial instruments which meet the criteria of a basic financial instrument as defined in Section 11 of FRS 102 are accounted for under an amortisation cost model. Non-basic financial instruments are recognised at fair value using a valuation technique with any gains or losses being reported in surplus or deficit. At the year-end, the instruments are revalued to fair value, with the movements posted to the income and expenditure.

Transform'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 Transform has a limited number of such agreements at the year-end and these are not considered to be material. Transform 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.

The property disposals are recognised in the financial statements only when the legal completion for the transaction is concluded, realising any surplus or deficit on the disposal.

Depreciation is charged over the estimated useful lives of the structure and components of freehold property from the time they are first let 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
Windows	30 years
Bathrooms	25-30 years
Kitchens	15-20 years
Boilers	15 years
Flat roofs	15 years
Other building facilities	10 years

Other fixed assets	
Office fittings	10 years
Office equipment	7 years
Furniture and fittings	7 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 between the scheme's carrying value and its recoverable amount is undertaken. Any excess over the recoverable amount is recognised as an impairment loss and charged as expenditure in the Statement of Comprehensive Income; the carrying value is then reduced appropriately.

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

This considers either the cost of purchasing an equivalent property on the open market (based on the sale prices for similar properties in or near the 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, VIU 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 works 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 Homes England, 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. They 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 to the Company. All other leases are classified as operating leases.

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 deposits repayable on demand, overdraft repayable on demand and short term deposits held with various banks. These cash balances are used in 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 charged to the Statement of Comprehensive Income.

Pension
Transform participates in the two defined contribution pension schemes – the group personal pension scheme operated by Aviva Group (Friends Life) and the Social Housing Pension Scheme (SHPS) defined contributions scheme – as well as the SHPS multi-employer defined benefits scheme.

Defined contribution pension schemes
Contributions to the defined contribution pension schemes are recognised as an expense in the period to which they relate, with any amounts not paid being included in accruals in the Statement of Financial Position. The assets of the plan are held separately from Transform in independently administered funds.

Defined benefit pension scheme
In the previous year, the Company was unable to recognise its share of the scheme assets and scheme liabilities, therefore had applied defined contribution accounting in respect of the SHPS. For the year ended 31 March 2018, the Company has recognised as a past service deficit liability of £266,000, within creditors, based on the present value of the Company's deficit funding agreement. We also recognised a further acquired pension liability of £544,000 at the time of the merger and was held as a long-term pension liability.

For the year ended 31 March 2019, the Company is able to identify the share of the scheme assets and scheme liabilities from 1 April 2018 and therefore has applied defined benefit accounting from this date onwards. For the accounting purposes, the relevant date for accounting for this change from defined contribution to defined benefit accounting is 1 April 2018. The scheme assets are measured at fair value. Scheme liabilities are measured on an actuarial basis using the projected unit credit method and are discounted at appropriate high quality corporate bond rates.

The deficit funding agreement liability (£266,000) and the acquired pension liability (£544,000) that were both previously recognised within creditors were de-recognised on the 1 April 2018, and an initial net defined benefits pension liability of £214,000 was recognised at this date in the statement of financial position. The resulting net difference of £596,000 on the initial recognition of the SHPS obligation was recognised in Other Comprehensive Income.

As at the year-end 31 March 2019, the net defined benefit pension deficit liability was £317,000, which has been included within the provisions for the pension liability in the financial statements.

In the year ended 31 March 2019, the current service cost and costs from settlements and curtailments are charged against operating surplus. Past service costs are recognised in the current reporting period within the income and expenditure account. Interest is calculated on the net defined liability. Re-measurements are reported in the Comprehensive Income. See note 24 for more details.

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.

Transform 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 12 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 social housing grants are recycled, the grants are credited to the fund which appears as a creditor until used for further development. Where the recycled grants are known to be repayable, they are shown as creditors within one year.

Value added tax (VAT)
Transform is not VAT registered and VAT is accounted for as a cost to the organisation within the respective expenditure heading.

Reserves
The reserves comprise general reserves and restricted reserves. The restricted reserves are provided by donors to be spent on specific client activities and general reserves have no restrictions on their use. Our policy is that the amounts of the reserve matching the carrying value of housing properties, less the carrying value of capital grant and debt, is classified as general reserves- invested in property, whereas the remainder is classified as free reserves.

3. Particulars of turnover, operating expenditure and operating surplus

2019	Note	Turnover	Operating expenditure	Operating surplus (deficit)
		£000s	£000s	£000s
Social housing lettings	4	5,625	(4,413)	1,212
Other social housing activities				
Housing related support income		2,710	(3,051)	(341)
Home based care		1,403	(1,685)	(282)
Charitable donations		118	(151)	(33)
Other income		64	(31)	33
		9,920	(9,331)	589
Gain on disposal of property, plant and equipment	9			961
				1,550

2018	Note	Turnover	Operating expenditure	Operating surplus (deficit)
		£000s	£000s	£000s
Social housing lettings	4	5,297	(4,161)	1,136
Other social housing activities				
Housing related support income		2,818	(3,002)	(184)
Home based care		922	(1,108)	(186)
Charitable donations		172	(141)	31
Other income		63	(47)	16
		9,272	(8,459)	813
Gain on disposal of property, plant and equipment	9			203
				1,016

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

	Note	2019 £000s	2018 £000s
Rents receivable net of identifiable service charges		3,857	3,672
Charges for housing related support services		54	52
Service charges income		1,541	1,412
Amortised Government grants		173	161
Turnover from social housing lettings	3	5,625	5,297
Operating expenditure:			
Service charge costs		1,285	1,071
Management		655	867
Routine maintenance		456	413
Planned maintenance		347	172
Bad debts		64	87
Property lease charges		462	345
Depreciation of housing properties		679	616
Other costs		465	590
Operating expenditure on social housing lettings		4,413	4,161
Operating surplus on social housing lettings		1,212	1,136
Void losses		(363)	(367)

All of Transform's activities relate to providing housing, care and support.

5. 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 8. None of the Board members received any emoluments.

	2019 £000s	2018 £000s
Aggregate emoluments and expenses payable to key management personnel:		
Executive Team	315	297
The highest paid Executive Member:		
Emoluments	73	83
Pension contributions	5	7

The Executive Team represents the key management personnel under FRS 102 and their aggregate emoluments are shown above.

On the retirement of Paul Mitchell, the new Chief Executive was appointed in August 2018 and was paid £70,000 for the period of his employment during the year (annualised salary cost of £104,000 including pension contributions). The Chief Executive's pension arrangements are similar to those of other staff – a money-purchase pension scheme with no additional benefits.

6. Employee information

The average number of employees employed (headcount)	2019 Number	2018 Number
Housing, care and support staff	168	145
Administration staff	30	28
Maintenance staff	7	6
	205	179

The average number of employees employed (FTEs)	2019 Number	2018 Number
Housing, care and support staff	130	116
Administration staff	24	21
Maintenance staff	7	6
	161	143

The number of full time employees is calculated based on a 39 hour working week.

Staff costs for the above persons:	2019 £000s	2018 £000s
Wages and salaries	4,244	3,652
Social security costs	331	296
Other pension costs	146	108
	4,721	4,056

The number of full time equivalent staff who received remuneration (including pension contributions) above £60,000 is shown in the following bands:

	2019	2018
More than £60,000 but not more than £70,000	1	-
More than £70,000 but not more than £80,000	2	2
More than £80,000 but not more than £90,000	-	1

7. Interest receivable

	2019 £000s	2018 £000s
Interest from bank deposits	6	3

8. Interest and financing costs

	2019 £000s	2018 £000s
Interest payable on bank loans	359	349
Interest capitalised on properties under construction	(22)	-
Interest un-wound on SHPS past service contributions	-	3
Net interest expense on SHPS pension scheme	3	-
	340	352

During the year, we have capitalised interest costs on the construction and re-modelling works on the housing properties using our average cost of capital of 3%.

9. Surplus on disposal of property, plant and equipment

	2019 £000s	2018 £000s
Disposal proceeds and insurance claims	1,051	243
Carrying cost	(90)	(40)
	961	203

As reported last year (2018/19) two properties were damaged, one by fire and another by a water leakage. Both losses were covered by separate insurance claims. The claim settlement values for the damaged property components have been recognised as disposal proceeds and this realises a significant surplus over the existing book values. While the insurance claim was in progress, we had recognised £203,000 of surplus last year (2018/19) and the remaining £201,000 is included in the current year (2019/20).

We had entered into a sale agreement in March 2018 for the disposal of the property in Godalming for £850,000 and as planned this disposal was completed in March 2019 and generated a surplus of £760,000.

10. Surplus for the year

The average number of employees employed (headcount)	2019 £000s	2018 £000s
The operating surplus is arrived at after charging:		
Depreciation of housing properties	679	616
Depreciation of other tangible fixed assets	93	95
Surplus on disposal of property, plant and equipment	961	203
Operating lease rentals:		
Land and buildings	460	438
Other leases	32	30
Auditor's remuneration (excluding VAT):		
Audit fees	15	11
Other services	3	1

11. Property, plant and equipment

	Housing properties £000s	Properties under construction £000s	Total housing properties £000s	Furniture and equipment £000s	Total £000s
Cost					
At 1 April 2018	47,640	-	47,640	855	48,495
Additions	2,327	568	2,895	61	2,956
Works to existing properties	1,376	-	1,376	-	1,376
Disposals	(298)	-	(298)	(5)	(303)
At 31 March 2019	**51,045**	**568**	**51,613**	**911**	**52,524**
Depreciation					
At 1 April 2018	5,821	-	5,821	612	6,433
Charges for the period	679	-	679	93	772
Disposals	(222)	-	(222)	(4)	(226)
At 31 March 2019	**6,278**	**-**	**6,278**	**701**	**6,979**
Net book value					
At 31 March 2019	**44,767**	**568**	**45,335**	**210**	**45,545**
At 31 March 2019	**41,819**	**-**	**41,819**	**243**	**42,062**

As shown above, the works to existing properties of £1,376,000 include the remodelling costs to the two damaged properties (one in Dorking, one in Reigate); cost of replacement property components of £402,000 (2018: £596,000) and the fire safety related costs to the property of £47,000 (2018: £70,000).

Housing properties book value, net of depreciation, comprises:

	2019 £000s	2018 £000s
Freehold land and buildings	40,144	36,553
Long leasehold land and buildings	3,474	3,468
Short leasehold land and buildings	1,717	1,798
	45,335	41,819

12. Debtors

	2019 £000s	2018 £000s
Due within one year		
Rent and service charges receivable	324	252
Less: provision for bad and doubtful debts	(189)	(151)
	135	101
Trade debtors	396	404
Other debtors	160	479
Prepayments and accrued income	208	158
	899	1,142

13. Cash and cash equivalents

	2019 £000s	2018 £000s
Cash in bank and in hand	1,791	1,988

The cash balances include deposits to meet Transform's future working capital requirements.

14. Creditors: amounts falling due within one year

	Note	2019 £000s	2018 £000s
Housing loans	17	270	270
Deferred grant income	16	202	176
Trade creditors		682	334
Loan interest due		77	68
Rent and service charges received in advance		68	59
Past service deficit contribution payable under SHPS	24	-	39
Capital accruals and retentions		35	-
Other creditors		407	434
Other taxation and social security		114	81
Other accruals and deferred income		73	112
		1,928	1,573

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

	Note	2019 £000s	2018 £000s
Housing loans	17	11,807	10,595
Past service deficit contribution payable under SHPS	24	-	227
Deferred grant income	16	11,956	11,752
Recycled capital grant fund	18	166	116
		23,929	22,690

16. Deferred grant income

	2019 £000s	2018 £000s
Balance at 1 April	11,927	12,017
Grant received in the year	442	174
Grant transferred to Repayable Capital Grant Fund	(38)	(102)
Released to Statement of Comprehensive Income	(173)	(161)
Balance at 31 March 2019	12,158	11,928
Deferred income to be released to the Statement of Comprehensive Income		
Amount to be released in **less than one year**	202	176
Amount to be released in **more than one year**	11,956	11,752
	12,158	11,928

The above summary excludes grants transferred through the merger and grants which have been written off to income; the total grants received to date in respect of properties owned are detailed in note 27.

17. Housing loan debt analysis

	2019 £000s	2018 £000s
Due within **one year**	270	270
Due after **more than one year**		
Loan	11,840	10,610
Less: issue costs	(33)	(15)
	11,807	10,595
	12,077	10,865

The existing facility of £7,110,000 with Barclays Bank expires in March 2037. The facility requires an annual repayment of £270,000, increasing to £360,000 from 31 March 2023 and £450,000 from 31 March 2028, with the remainder to be repaid by March 2037. There are a number of fixed rate tranches with varying interest rates ranging from 2.9% to 5.9% with varying maturity dates, after which they revert to variable interest rates linked to the LIBOR rate.

In October 2016, Transform arranged a further £6.5 million facility that matures in November 2019 and we have extended this facility for a further five years following negotiation with Barclays Bank.

We have also agreed a further £7.5 million, 10 year loan facility with Unity Trust Bank and the loan agreement is expected to be signed post year-end by the summer of 2019. The three loan facilities will be adequate to fund development requirements for the next five years.

The loan facilities are 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 required.

18. Recycled capital grant fund

	2019 £000s	2018 £000s
Balance at 1 April	116	14
Grant recycled	50	102
Balance at 31 March 2019	166	116

During the year we disposed of a property in Godalming and the grant attached to the property was recycled. The balance includes an accrued interest of £225 for the year. All these balances are less than three years old and therefore not repayable at the year-end.

19. Provisions for liabilities and charges

	2019 £000s	2018 £000s
Balance at 1 April	16	16
Movement	-	-
Balance at 31 March 2019	16	16

The above provision is to cover the cost of office dilapidations for the Mill Street office.

20. Financial and other commitments

Capital expenditure commitments at the year-ends were as follows:

	2019 £000s	2018 £000s
Expenditure authorised by the Board but not yet contracted	185	1,724
Total	185	1,724

The above commitments can be funded by cash deposits.

Leasing commitments

The future minimum lease payments are set out below.

	2019 Property £000s	2019 Others £000s	2018 Property £000s	2018 Others £000s
Within one year	447	31	472	30
Between one and five years	1,010	22	1,097	34
At 31 March 2019	**1,457**	**53**	**1,569**	**64**

21. Social housing units

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

	2019	2018
Owned and managed	819	766
Not owned but managed	69	82
	888	**848**

22. Notes to the statement of cash flow

	2019 £000s	2018 £000s
Surplus for the year	**1,216**	**667**
Adjustments for non-cash items		
Surplus on disposal of property, plant and equipment	(961)	(203)
Depreciation of tangible fixed assets	773	711
Amortisation of loan arrangement fee	7	7
	1,035	1,182
Movements in working capital		
Decrease/(increase) in debtors	243	(90)
Increase/(decrease) in creditors	404	(51)
	1,682	1,041
Adjustments for investing or financing activities		
Government grants amortised in the year	(173)	(161)
Arrangement fee for new loan facility	(25)	-
Pension costs less contributions	(41)	-
Interest payable	340	352
Interest received	(6)	(3)
	1,777	**1,229**

23. Analysis of changes in net debt

	At 1 April 2018 £000s	Cash flow £000s	Non-cash changes £000s	Total £000s
Housing loans				
Due in less than one year	270	(270)	270	270
Due after more than one year	10,595	1,500	(288)	11,807
	10,865	**1,230**	**(18)**	**12,077**
Cash at bank and in hand	(1,988)	197	-	(1,791)
At 31 March 2019	**8,877**	**1,427**	**(18)**	**10,286**

24. Social Housing Pension Scheme

Cherchefelle Housing Association (with whom Transform merged in 2016) participated in this scheme and through the transfer of engagement this liability was passed on to Transform. The Social Housing Pension Scheme is a multi-employer scheme which provides benefits to some 500 non-associated employers. The scheme is a defined benefits scheme in the UK.

The scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with the documents issued by the Pensions Regulator and the Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

The last triennial valuation of the scheme for funding purposes was carried out as at 30 September 2017. This valuation revealed a deficit of £1.552 million. The recovery plan has been put in place with the aim of removing this deficit by 30 September 2026.

This scheme is classified as 'last-man standing' arrangement. Therefore the Company is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from the scheme.

For the financial years ending on or before 28 February 2019, it has not been possible for the Company to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme, therefore the Company has accounted for the scheme as a defined contribution scheme.

For the financial year ending on or after 31 March 2019, it is possible to obtain sufficient information to enable the company to account for the scheme as a defined benefit scheme.

For accounting purposes, two actuarial valuations for the scheme were carried out with effective dates of 31 March 2018 and to 30 September 2018. The liability figures from each valuation are rolled forward to the relevant accounting dates, if applicable, and are used in conjunction with the Company's fair share of the scheme's total assets to calculate the Company's net deficit or surplus at the accounting period start and end dates.

Present value of defined benefit obligation

	31 March 2019	31 March 2018
	£000s	£000s
Fair value of plan assets	1,111	1,102
Present value of the scheme liabilities	1,428	1,316
Deficit in plan	(317)	(214)
Defined benefit assets (liabilities) to be recognised	(317)	

Reconciliation of the opening and closing present value of the scheme liabilities

	£000s
Opening scheme liability as at 1 April 2018	1,316
Expenses	3
Interest expense	32
Actuarial losses	145
Net benefits paid	(68)
Closing scheme liability as at 31 March 2019	1,428

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

	£000s
Opening fair value of the plan assets as at 1 April 2018	1,102
Interest income	27
Return on plan assets	9
Contributions by the employer	41
Benefits paid	(68)
Fair value of assets 31 March 2019	1,111

Amounts recognised in the surplus

	£000s
Amounts charged to operating costs	3
Amounts charged to interest costs	5
Total charge for the year	8

Amounts recognised in Other Comprehensive Income

	£000s
De-recognition of the fair value of future deficit contribution	266
De-recognition of the acquired pension deficit	544
Initial recognition of the net pension deficit	(214)
Total actuarial gain or loss for the year	596

Defined benefits costs recognised in Other Comprehensive Income

	Period ended 31 March 2019
	£000s
Experience on plan assets (excluding amounts included in net interest cost) – gain (loss)	9
Experience gains and losses arising on the plan liabilities – gain (loss)	(15)
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation – gain (loss)	(5)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligations – gain (loss)	(125)
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) – gain (loss)	(136)
Total amount recognised in Other Comprehensive Income – gain (loss)	(136)

Principal actuarial assumptions: financial assumptions

	31 March 2019 % per Annum	31 March 2018 % per Annum
Discount rate	1.91	2.5
Future salary increase	3.3	3.2
Inflation (RPI)	3.3	3.2
Inflation (CPI)	2.3	2.2

Mortality assumptions

	Life expectancy at age of 65 years
Male retiring in 2019	21.8
Female retiring in 2019	23.5
Male retiring in 2039	23.2
Female retiring in 2039	24.7

Analysis of pension scheme assets

	31 March 2019 £000s	31 March 2018 £000s
Liability driven investments	407	401
Global equity	187	218
Absolute return	96	135
Alternative risk premia	64	42
Infrastructure	58	28
Corporate bond fund	52	45
Secured income	40	41
Emerging markets debts	38	44
Risk sharing	34	10
Insurance linked securities	32	29
Property	25	51
Credit relative values	20	0
Destressed opportunities	20	11
Long lease property	16	0
Private debt	15	10
Fund of hedge funds	5	36
Net current assets	2	1
	1,111	**1,102**

25. Fundraising activities

We receive fundraising income from individuals, companies and trusts and report performance on a cash basis. Based on the accounting policy, fundraising income is recognised in the financial statements only after the grant conditions are fulfilled.

	2019 £000s	2018 £000s
Fundraising cash generated		
Fundraising cash	146	174
Fundraising costs		
Salary costs	122	115
Other costs	22	24
Net fundraising contributions	2	35
	146	174
Return on investment (ROI)	**1.0**	**1.3**
Fundraising cost ratio	**99%**	**80%**
Allocation of funds		
Capital projects		
Wallington, Sutton	1	5
Leatherhead, Surrey	-	15
Runnymede temporary accommodation, Surrey	5	-
Future Generations campaign	8	-
Town centre, Sutton	-	7
Farnham, Surrey	5	7
Spelthorne, Surrey	16	25
Building Chances campaign	8	5
	43	64
Revenue projects		
For specific client groups/projects	66	53
Winter Shelter project	-	7
	66	60
Restricted funds allocated	108	124
Unrestricted funds allocated	-	6
Gifts in kind	38	44
Total fundraising cash allocation	**146**	**174**

A number of pledges received totalling £18,000 were not realised until after 31 March 2019 and are deferred until the conditions are met. Even so, income has reduced overall. A small fundraising team of three had one position vacant for almost half of the year which has impacted on low fundraising income.

Now back to full strength, the team plans to deliver an increase in awareness of Transform through both activities and social media that is anticipated to translate into a better return in fundraising income. Not only do we intend to begin focusing on the 50th Anniversary celebrations in the next 12 months but we anticipate that improved 'fundraising asks' with clear operational focuses will bring a significant improvement in fundraising income for Transform.

26. Share capital

Transform is limited by guaranteeand therefore has no share capital. Each member (see numbers below) agrees to contribute £1 in the event of the organisation winding up.

Number of members	2019	2018
	No	No
At 1 April	26	26
Joining during the year	-	-
Leaving during the year	(3)	-
At 31 March 2019	23	26

27. Related party transactions

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

- The spouse of a member of the Executive Team is a commercial director and shareholder in UK Telecom, which has provided a telephone landlines service to Transform for a number of years with an annual contract value of £31,000. During the year we undertook a competitive tender process for a unified communication contract, and appointed Wavenet Ltd as the new provider, working with UK Telecom and the new annual contract value is £24,000. This Executive Team member retired from Transform in May 2019.
- One Board member works as an Executive Director at West Sussex County Council. Transform has completed small and non-material contracts for West Sussex County Council for a number of years.

28. Government grants

Government grants are Social Housing Grants and other grants received to enable us to acquired properties for social rent. Should the properties to which the grants relate cease to be used for social rent, the grants may be repayable in full.

Total grants received:	2019	2018
	£000s	£000s
Grants credited to the income statement	9,119	8,946
Deferred grants (note 16)	12,158	11,928
	21,277	20,874

29. Taxation status

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

30. Post year-end events

A detailed fire risk assessment carried out in May 2019 on two sheltered housing schemes in Crawley revealed some health and safety concerns. There are 36 tenanted flats in total. Immediate action was taken to secure the safety of our tenants who have been fully consulted and informed. Significant remedial work is required, and we have carried out an impairment review on these properties and have concluded that no impairment provisions are required. We are carrying out an options appraisal on the schemes to determine the best course of action.

If you would like this document in another format please contact us

Transform Housing & Support
Bradmere House
Brook Way
Leatherhead
Surrey KT22 7NA

01372 387100

www.transformhousing.org.uk

info@transformhousing.org.uk