



**Financial statements and annual report**  
**31 March 2020**

# Client comments

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

"[You've] given me options and opened doors that I have never had before. Without your support I wouldn't be where I am today."

"For the first time in my life I feel understood and treated with compassion and respect."

"You take my problems that cause me worries in my head and resolve them."

"Just knowing there is somebody who I can turn to if I am unsure about something in my life. I know my key worker will do her best to help me find the best solution."

"It is the security and knowing I will receive the support. I feel like I have a future now where I am not judged and you are always there to support me."

"To not be judged for my past actions and to feel safe where I live."

"Knowing there is always someone to help and that they are acting in my best interest."

"My Housing + Support Officer has given me hope for the future, they have helped me a lot, more than words can explain."

"The safety and security that Transform provides so that I can focus on my health, career and building a new life for myself. 😊"

"They're always there when you need them - especially my keyworker Debbie, she helps me with my emotions and she's fantastic."

"[My Keyworker] is brilliant. He is always trying to help and is really easy and reassuring to talk to. Having support in the situation I am in is critical."

"It's a difficult thing to measure but to lose this service would be devastating - therefore the support you offer is essential."

"I'm not on the streets but, more importantly, I have understanding, support and encouragement to do the right things for a sober new life."

"A comprehensive range of support and a superb keyworker."

"I can talk to you about things and you always return my call. There are no words to describe how brilliant you are."

"Knowing I can talk to Marta and she is always there to help. If she wasn't there I would not be able to cope."

"To be able to ask for help and my flat is my safe place, my home."

"Having somewhere to call home and knowing support is just a call away."

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## Company details

### Registered Office

Transform Housing & Support  
Bradmere House  
Brook Way  
Leatherhead  
Surrey KT22 7NA  
01372 387100  
[www.transformhousing.org.uk](http://www.transformhousing.org.uk)  
[info@transformhousing.org.uk](mailto:info@transformhousing.org.uk)

### Registrations

Registered Company 01057984  
Registered Charity 264133  
Registered Provider H2452  
Registered with the CQC 1-2756361790

## Advisors

### External auditor

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 is a registered provider of high-quality social housing, support and care services to more than 2,000 people each year in Surrey, West Sussex, Berkshire and south west London.

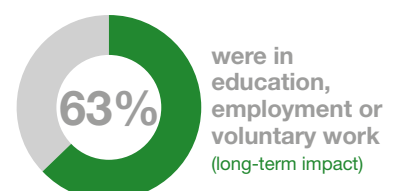
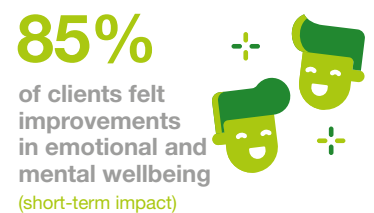
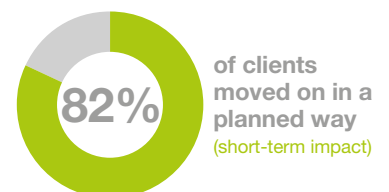
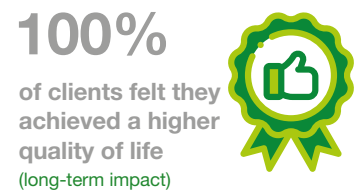
## Highlights 2019/20



**270 care clients**

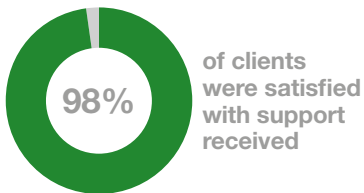
**1,734 housing and support clients**

### Service outcomes

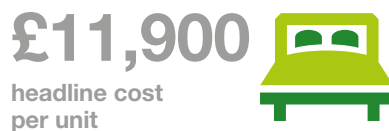
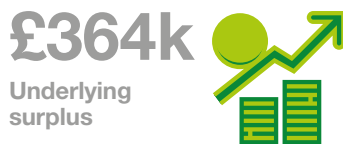
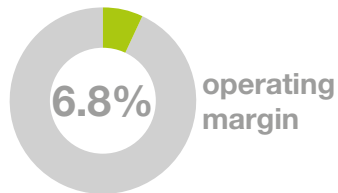




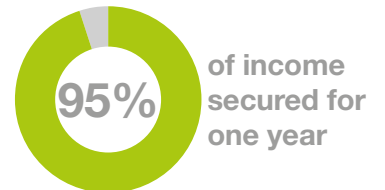
### Satisfaction



### Financial performance



### Financial resilience



A portrait of an older man with glasses, wearing a dark suit jacket over a light blue shirt. He is looking directly at the camera with a slight smile. The background consists of vertical blinds, with some greenery visible through them.

# Chairman's statement 2019/20

## Introduction

The past year has been one of renewal, modernisation and growth for Transform. We have become more agile and not only faced many challenges head-on – including the Covid-19 pandemic – but have also embraced the opportunities presented by many resultant changes.

Our goal, as ever, is to provide exemplary support for clients and to adopt a culture of continual improvement so as to become the 'best in sector' for supported housing and care. This has led to investments both in terms of Transform's most critical resource, our people, along with substantial infrastructure developments – such as updating IT and refurbishing our Leatherhead headquarters.

## The external operating environment

The environment in which Transform operates has experienced many challenges and changes this year.

Housing and care needs have been increasing but pressure on local Government finances has led to tight budgets and concerns about future adult social care funding. In March 2020 the UK was hit by Covid-19

which presented many immediate and unforeseen challenges. A window of opportunity was opened, however, in the form of the Government's decision to terminate its rent reduction policy and to continue funding eligible supported housing management costs for the next three years.

We are also optimistic that after much rhetoric over many years there may now be more funds to ensure the provision of improved social care.

## Five-year strategy

2019/20 has seen the implementation of the first year of Transform's five-year strategy. This focuses on five main themes – operational excellence, providing high-quality property, being an excellent employer, organisational growth and financial viability. In a nutshell, it is about Transform growing and prospering to allow us to support more people while successfully negotiating the changing landscape.

## Major client activity and achievements

In 2019/20, Transform has been continuing to deliver impressive outcomes for clients across both supported housing and care. We have provided personalised support to 2,004 people. More than 1,700

clients received housing-related support and, of those who moved on, 82% moved on in a planned way. Transform provided care services to 270 individuals and the Care Quality Commission rated all our care activity as 'Good'.

I welcome and take great pride in the results of our client satisfaction, exit and long-term outcome monitoring surveys. Through these we are able to identify and replicate excellence and pinpoint areas for improvement. I have been particularly pleased to see that satisfaction against all criteria was rated at between 96% and 98% for supported housing clients and 97-100% for care clients.

Meanwhile, according to our exit survey, 97% of clients said they felt happier since receiving support from Transform and in the long-term outcome monitoring survey, carried out approximately one year after finishing support, 100% of clients said Transform had helped them improve their general quality of life. We also have plenty of evidence that the social value of many of our services is a significant multiple of the cost or investment involved.

This financial year saw us having to make some tough choices with

regards to our care provision. Public funding for care services has been dropping rapidly for many years and rising costs due to people living longer and requiring more complex care has been outstripping income. In autumn 2019 we took the difficult decision to withdraw from most publicly commissioned care services. The remaining care services will be kept under review.

## Our people

With a new leader as Head of People, Simone Bartley, we have continued to modernise our practices with an emphasis on recruitment, retention and development. Our efforts have been recognised with the renewal of our national Investors in People Silver Award.

With the goal of ensuring that our reward framework is fair, transparent and fit for purpose, we undertook a review of our relative pay and benefits. The review found that current pay levels for the majority of roles are aligned with the median within the sector. We have improved staff retention and now compare very favourably with eight other supported housing organisations that were surveyed.

Other key appointments this year included Michael O'Brien as Head of Asset Management & Capital Development, Adele Duncan as Director of Client Services, Anita Gupta in the new role of Head of External Affairs & Communications and Andrew Cordukes as Transform's first Head of IT. We have a strong experienced team.

In June 2020 we said thank you and bid a fond farewell to retiring Director of Asset Management & New Business, Andrea Cannon. Andrea worked at Transform for many years before which she had played a key role in the wider sector for more than two decades. We also said goodbye to three of our trustees – Sally Dubery, Chris Relleen and Lee Harris and welcomed five fresh faces to the board – Julie Bradley, Paul Rees,

Michael Ryan, Oliver Smedley and Katie Wadey.

## Growth, development and investment

One of our ambitions is to grow our funding activity so we can continue to make a difference to more people in need. We have pursued many initiatives such as partnering with Walton Charity and Elmbridge Borough Council to open a new scheme providing six new units of accommodation for homeless people. We also developed a three-bedroom house for young people with support needs and a move-on flat.

We secured investment partner status with Homes England and secured an initial allocation of funding for five move-on flats which was also supported by district and borough councils.

Our most significant development was to agree a merger with Reigate Quaker Housing Association which provides sheltered housing for 60 people and owns two sites for redevelopment. The merger was completed in May 2020. I would like to give the warmest of welcomes to our new colleagues and clients who have transferred to what is now known as Reigate Sheltered Housing Services.

During the year we invested £1.3 million in properties – £911,000 on new properties and £386,000 on improving existing properties including £61,000 on health and safety measures following in-depth fire safety assessments in two of our sheltered housing schemes.

We are on a path to modernise many of our operational processes based on new technology. Some of these improvements came into their own sooner than expected when the country went in to Covid-19 lockdown enabling many colleagues to work more easily from home.

## Covid-19 pandemic

The coronavirus global outbreak affected Transform in the last month of the financial year. I have great admiration for all our colleagues for their tremendous response to Covid-19. They went above and beyond to ensure that all services remained open, all care appointments were carried out and that clients and fellow colleagues stayed safe and well.

## Finance

Despite significant investments, the impact of Covid-19 and the current funding environment, Transform remains in a strong financial position and we are confident about our long-term viability. During the course of the year Transform succeeded in increasing turnover by 15% to £11.4 million. Our actual surplus exceeded budget and we have a respectable operating margin and substantially increased borrowing capacity.

## Looking ahead

Transform's future plans include:

- using our greater loans capacity to invest in more housing;
- a commitment to developing a new provision in East Grinstead;
- expanding our support for the Government's rough sleepers' initiative;
- continued interest in merger and acquisition opportunities;
- celebrating our 50<sup>th</sup> anniversary;
- more internal investment as we look to refresh various IT systems, establish an intranet and roll out Office 365.

## And finally...

It has been an honour to chair Transform during this period of renewal, growth, challenge and investment. I look forward to seeing what the future year brings for this organisation which has made, is making and will continue to make such a positive difference to so many people's lives.



**Our people**

# Executive Team



**Lawrence Santcross** MSW CQSW  
Chief Executive



**Ratna Sukumaran** ACMA  
Director of Finance and  
Company Secretary



**Andrea Cannon** BA (Hons) FCIH  
Director of Asset  
Management & New Business  
(retired June 2020)



**Adele Duncan**  
Director of Client Services  
(appointed March 2020)



**Simone Bartley**  
Head of People  
(appointed April 2019)



**Anita Gupta**  
Head of External  
Affairs & Communications  
(appointed March 2020)



**Caroline Felton**  
PA to Chief Executive

**Marisa Elliott**, Head of Human Resources retired in May 2019.

**Carol Borwick**, Head of Fundraising & Communications left in February 2020

# Patrons and Ambassadors

Transform Housing & Support benefits from the support of a number of high-profile volunteers, including our Patrons and Ambassadors. We value highly the assistance and encouragement they provide.

## Royal Patron

**HRH The Countess of Wessex** GCVO DSTJ CD

## Patrons

**The Rt Hon Baroness Bottomley of Nettlestone** PC DL

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

**Prof Patrick J Dowling** CBE DL FREng FRS

**David Hypher** OBE DL (Hons)

**Dame Penelope Keith** DBE DL

**Elizabeth Kennedy** FCIPD

**Prof G. Q. Max Lu** AO, DL, FREng, FAA, FTSE, FIChemE, FRSC, FCAS, FNAI  
**President and Vice-Chancellor, University of Surrey**

**Gavin Stephens QPM, Chief Constable, Surrey Police**  
(appointed October 2019)

**Sir Richard Stilgoe** OBE DL

**Sally Varah** MBE DL

**The Rt Revd Andrew Watson, Bishop of Guildford**

## Ambassadors

**Dame Elizabeth Anson** DBE JP DL

**His Hon Christopher Critchlow** DL

**Desmond McCann** BA FCA

**David McNulty** PhD

**Greg Melly**

**Lesley Myles** MBE JP DL MA

**Kim Rippet**

**The Hon Mrs Lavinia Sealy** DL

**Bernard Stevens** FCA FCMA

**Lady Elizabeth Toulson** CBE DL

**Paul Wates** FRICS

**Cllr Fiona White**

**Malcolm Young** FRICS

**Martin Bellinger**  
(resigned September 2019)

# Our Directors

The Directors of Transform are simultaneously Trustees of the charity. At the end of the financial year 2019/20 there were nine Trustees on Transform's Board.

## Directors

**Mark Austen** FCMA  
Chairman of the Board and Chair of  
the Nominations Committee

**Robert Mills** BA (Hons) MCIH  
Deputy Chairman and Chair of the  
People Committee

**Jane Bolton** BA (Hons) FCIH

**Julie Bradley**  
(appointed September 2019)

**Chris Deacon** BSc (Hons) MSc  
Chair of the Client Services &  
Performance Committee

**Paul Rees** MA FCA  
Chair of the  
Finance & Audit Committee  
(appointed November 2019)

**Michael Ryan**  
(appointed June 2020)

**Oliver Smedley** FCMA  
(appointed November 2019)

**David Turner** DSc FRICS

**Katie Wadey**  
Chair of the Development & Asset  
Management Committee  
(appointed June 2019)

**Sally Dubery**  
(left September 2019)

**Chris Relleen** BSc FCA  
(left July 2019)

**Lee Harris**  
(left September 2019)

# Transform's business model

<b>Our inputs</b>	<b>Properties</b>	<b>People (colleagues)</b>	<b>Money</b>
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<b>What we do</b>	<b>Provide safe, secure housing</b>	<b>Lettings, rent collection, complaints, client involvement</b>	<b>Person-centred support</b>	<b>Personalised care</b>
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<b>Clients</b>	<b>Homeless, socially excluded clients:</b>	<b>People in need of homecare:</b>
	<ul style="list-style-type: none"> <li>■ needing temporary housing;</li> <li>■ with complex needs;</li> <li>■ with mental health issues;</li> <li>■ those recovering from substance or alcohol issues;</li> <li>■ young people – including those leaving care;</li> <li>■ those with offending histories;</li> <li>■ those with learning disabilities.</li> </ul>	<ul style="list-style-type: none"> <li>■ older people;</li> <li>■ those with physical disabilities;</li> <li>■ those with learning disabilities.</li> </ul>
<b>Our outputs and outcomes</b>	<b>Skills development:</b>	<b>Support to live independently including:</b>
	tenancy management; independent living skills; managing harmful behaviours; budgeting; becoming employed; education/training; developing healthy social relationships.	dressing; washing; meal prep; taking medication; end of life care; social interaction and other daily tasks.
<b>Wellbeing improvements:</b>		
happier; more secure; independent; confident; more able to cope and more hopeful about future.		



# Strategic report

# Our strategy 2019-2024

## Strategic goals

In October 2018, Transform's Board of Trustees and Executive team developed a five-year forward strategy for the organisation.



1. **Operational excellence:** to provide outstanding person-centred and outcomes-focused client services.



2. **Growth:** to expand through the development of new and existing partnerships.



3. **People:** to be an excellent employer by leading, motivating, communicating and engaging with colleagues as well as investing in their welfare, training and development.



4. **Property:** to provide high-quality, safe and secure accommodation for clients.



5. **Financial viability:** to enhance our organisational viability and sustainability.



# Annual business plan objectives 2019/20

Excellent client services		
What we said we would do	What we did	
Provide high-quality services to achieve the best outcomes for clients.	Delivered consistent high-quality services valued by clients and stakeholders.	
Ensure staff recruitment – as well as training and development for all colleagues – is implemented in line with Transform’s objective to continually improve services to clients.	<ul style="list-style-type: none"> <li>Welcomed 39 colleagues to Transform through a new, more effective recruitment process.</li> <li>Planned and delivered more than 70 training and development activities for colleagues in accordance with Transform’s organisational goals.</li> </ul>	
Achieve targets for housing management KPIs: <ul style="list-style-type: none"> <li>Voids – &lt; 6%;</li> <li>Arrears – &lt; 5%;</li> <li>Bad debts – &lt; 1.6%; and</li> <li>Clients’ positive move-on – 75%.</li> </ul>	<ul style="list-style-type: none"> <li>Voids – 6.1% (2019: 6.56%);</li> <li>Arrears – 5.9% (2019: 4.78%);</li> <li>Bad debts – 1.7% (2019: 1.5%); and</li> <li>Clients’ positive move-on – 82% (2019: 88%).</li> </ul> <p>Our above performance shows a position below the target expectation with the exception of clients’ positive move-on. We have deployed more management resources to achieve improvements in 2020/21.</p>	
Compile client success stories demonstrating positive impact.	Focused on client success stories and commissioned an independent evaluation of the Wokingham service carried out by the Housing Associations’ Charitable Trust (HACT).	
Enhance our practice excellence model.	Set aside resources to invest in continued improvement of our practice models.	
Upgrade our homecare IT software.	Implemented a new integrated homecare management system.	
How well we did it		
<b>82% positive client move-on</b>	<b>‘Good’ CQC rating for all homecare services</b>	<b>Support – 98% satisfaction</b>
<b>Accommodation – 95% satisfaction</b>	<b>Care services – 99% satisfaction</b>	<b>Long-term outcomes – 100% lasting life improvement</b>

## Asset investments

What we said we would do	What we did	
Enhance approach to integrated asset management.	Refreshed our strategy strengthening our asset management function.	
Strengthen skills and capability of asset management team.	Strengthened and invested in new asset management function.	
Enhance fire safety measures for schemes accommodating high-risk older clients.	Undertook in-depth fire safety assessments at our two sheltered housing schemes and identified action to be taken. Action begun but currently delayed due to Covid-19.	
How well we did it		
<b>1.7% return on property investment</b>	<b>£1.3m property investment</b>	<b>£53m property value (historic cost)</b>
<b>Maintenance – 93% client satisfaction</b>	<b>33% of maintenance spend was on preventative works</b>	

## Financial viability

What we said we would do	What we did	
Maintain a robust financial position.	Actual surplus exceeded budget despite unbudgeted costs. Fully met loan covenant requirements.	
Re-finance existing loan facility.	Re-financed existing Barclays loan facilities to mature in five and 10 years.	
Arrange a new loan facility.	Secured a new loan facility for £7.5 million with Unity Trust Bank.	
Review financial sustainability of care activity.	Re-focused care on more viable/sustainable activity.	
How well we did it		
<b>6.8% operating margin</b>	<b>3.2% net margin</b>	<b>£8m undrawn loan facility (see note 17)</b>
<b>Long loan maturity (50% – five years, 50% –10 years)</b>	<b>£23m reserves</b>	

## Growth

What we said we would do		What we did
Scope possible merger with Reigate Quaker Housing Association (RQHA).		Secured merger with RQHA on 15 May 2020.
Develop more housing provision with Homes England.		Secured investment partner status with Homes England and first successful bid.
Secure a multi-local authority tender for move-on accommodation for 10 properties and provide new move-on accommodation in Elmbridge.		In partnership with Walton Charity and Elmbridge Borough Council, opened a new scheme providing six units of accommodation. We also acquired a further four units of move-on accommodation.
How well we did it		
<b>RQHA merger</b>	<b>10 new units</b>	<b>15% turnover increase</b>
<b>Homes England – investment partner status</b>		

## People

What we said we would do		What we did
Enhance our recruitment capability.		Achieved improvements in processes using more features of the applicant tracking system to reduce delays and provide a better candidate experience.
Implement a new pay and reward strategy.		Completed a comprehensive review of pay and benefits and developed a new strategy to ensure our pay and rewards are attractive/competitive in the sector while keeping within the staff budget.
Upgrade our legacy HR software.		Implemented a new HR system with the next stage being to integrate with payroll and continue to develop the system to increase the effectiveness of HR processes.
How well we did it		
<b>39 new starters</b>	<b>45% have more than five years' service</b>	<b>3% absence rate</b>
<b>Staff turnover 24%</b>	<b>Strong retention against HR benchmark*</b>	

\*A benchmarking exercise with eight other supported housing organisations rated Transform as second lowest for staff turnover.

# Strategic investments

In line with Transform's forward strategy, we have undertaken a comprehensive strategic review of our current and future IT requirements in line with our business aspirations and goals. Our aim is to ensure our IT systems keep pace with our development as an organisation, supporting growth and providing colleagues with the technology they need to keep Transform at the forefront of the sector.

The Board has ratified this strategy and has committed a substantial (£3 million) IT Investment in the next three years to strengthen Transform's organisational capabilities.

## Strategic priorities for 2020/21

Deliver high-quality person and outcome-focused services which meet the aspirations and 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 aspirations and needs of a greater number of people.

Develop existing and new partnerships which can best enable us to deliver services.

Attract and retain a skilled and engaged workforce.

Invest in the development and wellbeing of colleagues.

Provide colleagues with the systems and tools they require to carry out their roles effectively.

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

Provide homes which are safe and secure.

Increase the property portfolio so that we can provide homes and support more people.

Strengthen and secure Transform's financial position.

Increase borrowing to allow for the development of more housing.

Meet financial obligations.

Deliver greater value through improved efficiency and effectiveness.



# Achievements during the year

## Client outcomes

Transform's services enable people to take greater control of their lives by supporting them to address the challenges they face, learn life skills and improve their health and wellbeing, while building their confidence. During the year, 1,647 clients received housing-related support services and of these 181 clients moved on with 82% moving on in a planned way.



### Client satisfaction 2019/20

Of those clients who responded:

**96%**

felt happier since receiving our support



**96%**

felt more secure since receiving our support



**98%**

were satisfied with the help received with health and support needs



**98%**

were satisfied with support received to address financial matters



Person-centred care services provide homecare to 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. This 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 in how best to support them. Our care teams work with each client to develop their care plan to ensure they get the best from their care.

### Quality of Care 2019/20

Care and support workers enable each client to develop their individual care plan to improve their quality of life.

Of those clients who responded:

**100%**

felt Transform staff treated them with dignity, respect and compassion



**97%**

rated Transform as either 'good' or 'outstanding'



**99%**

were satisfied with the care and support they received



**97%**

felt that they were involved in their initial assessment





In supported housing, most people are of working age and face many financial challenges.

A key role for frontline colleagues is to support people in making a fresh start in their lives, so they can sustain independent living and make a positive contribution to their communities.

### Exit questionnaire 2019/20

In our exit questionnaire, clients compared how they felt when they started using Transform services to when they moved on. Clients listed improvements as follows:

**97%**

felt happier since receiving support



**91%**

were able to cope with life's challenges



**97%**

felt more independent



**94%**

felt more confident



Clients also felt that the support provided had led to noticeable improvements in their ability to manage:

**93%**

their personal finances



**90%**

physical health



**85%**

emotional and mental wellbeing



**89%**

relationships with family and friends



### Long-term outcome monitoring 2019/20

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

**93%**

felt the skills developed had been successfully maintained



**100%**

said support received helped them to maintain settled accommodation



**100%**

felt Transform has helped them improve their general quality of life



**63%**

were in employment, education, voluntary work or taking part in community activities



**100%**

felt they were able to build/maintain relations with family and friends



## Investing in properties

During the year we have invested £1.3 million (2019: £4.3million) in properties – £683,000 on two property acquisitions completed in the year, £228,000 on development in progress and £386,000 on improving existing properties as follows:

### New properties (£911,000)

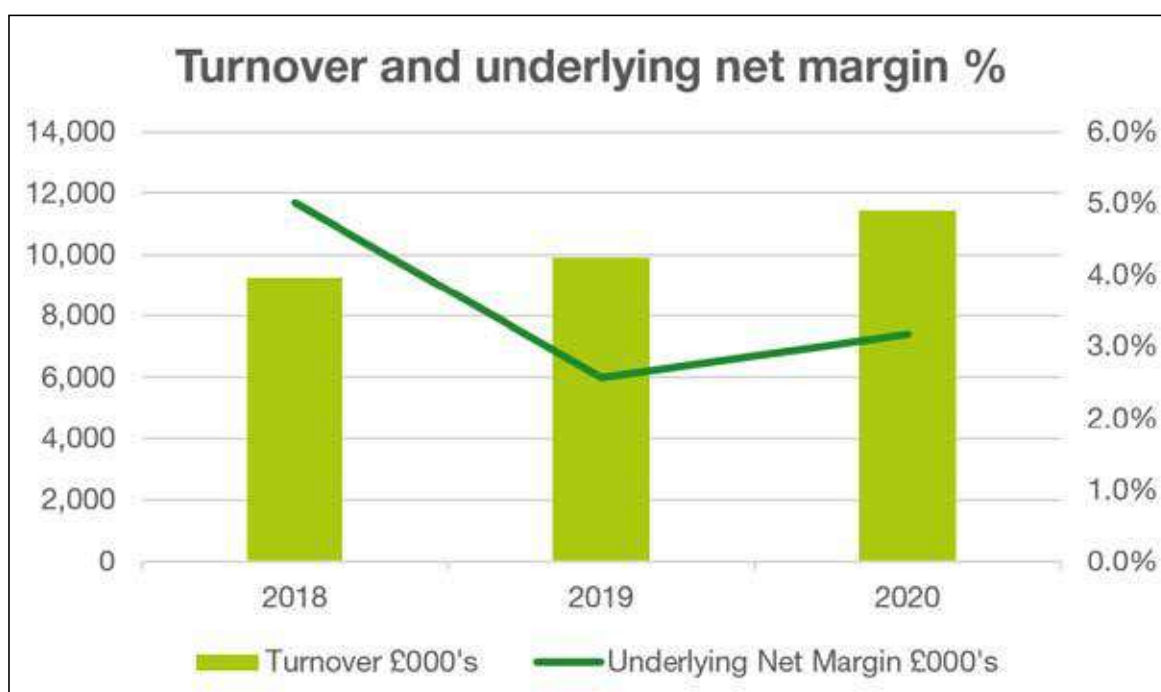
- one three-bed property for young people in Leatherhead;
- one single-bed flat in Dorking;
- cost of repair and remodeling works on two damaged properties.

### Existing properties (£386,000)

- This includes £61,000 of unplanned health and safety costs incurred up to March 2020 in two sheltered housing schemes and the balance being component replacements.

## Financial performance

The turnover has increased in the past three years from £9.3 million to £11.4 million, delivering an underlying surplus (the surplus excluding gains from property sales) of £364,000 (2019: £255,000), representing a net margin of 3.2% (2019: 2.5%). Turnover increased by 15% during the year and the underlying surplus by 43%. This was achieved despite increased health and safety costs and additional spend incurred to implement the IT and office reviews.



## Operating environment

The housing, care and support operating environment remains challenging due to: tightening public sector finances; uncertainties over the future funding of adult social care budgets and integration with health; changing regulatory requirements; Brexit and, more recently, the impact of the Covid-19 pandemic. Alongside this, demand for the services Transform provides continues to rise.

While the long-term funding of supported housing is still to be resolved, in the medium-term, the Government has brought a degree of stability to the market by ending the rent reduction regime and confirming that, for the next three years, eligible housing costs will continue to be funded through the welfare system. Nevertheless, longer-term uncertainties mean that the development of new supported housing schemes remains challenging. Within this context, and existing operating constraints, Transform continues to seek opportunities to efficiently and effectively meet all stakeholder requirements.

- A. Rent reductions** – the Government's rent reduction regime ended on 31 March 2020. A new rent settlement is now in place for the next five years which allows for increases of up to the consumer price index plus 1%.
- B. The future funding of supported housing** – after three years of uncertainty, a degree of financial stability has been secured as a result of the Government confirming that eligible housing costs will continue to be funded through the welfare system for the next three years. There will not be – as was formerly proposed – ring-fenced monies devolved to English local authorities to fund short-term supported housing. All forms of supported housing (including sheltered and extra care) are to be funded from within the welfare system through enhanced housing benefit.
- C. Housing-related support services** – the politics of Brexit and the impact of the coronavirus pandemic have created political, health and socio-economic instabilities which are, in all likelihood, set to deeply scar society for many years to come. As a result, it is likely that demand for publicly funded welfare services will rise while the pressure on public finances will become even more intense. We predict that this will lead to significant changes in the operating landscape which will offer both challenges and opportunities to providers.
- D. Care** – as the number of people living longer with more complex care needs has risen, adult social care services budgets have come under increasing pressure resulting in funding shortages. Consequently, we are repositioning the care business by withdrawing from most of the publicly commissioned services and instead focusing efforts on more viable areas of the market. These include the provision of care services to self-payers and those in receipt of direct payments. The care services will be kept under review.
- E. Staff recruitment and retention** – we have continued to focus considerable efforts on ensuring we can attract and retain a high-calibre workforce which is able to meet the requirements of the people we support. During the year, we completed a pay and reward review, re-engineered recruitment processes and participated in a regional benchmarking initiative which confirmed our performance and pay levels are on par with others in the sector.

Despite the uncertainties and challenges outlined, Transform continues to focus its efforts on delivering high-quality viable and sustainable services. In doing so, we aim to make the best possible use of resources available to us while ensuring the best outcomes for clients.

# Financial review

## Financial performance in the year

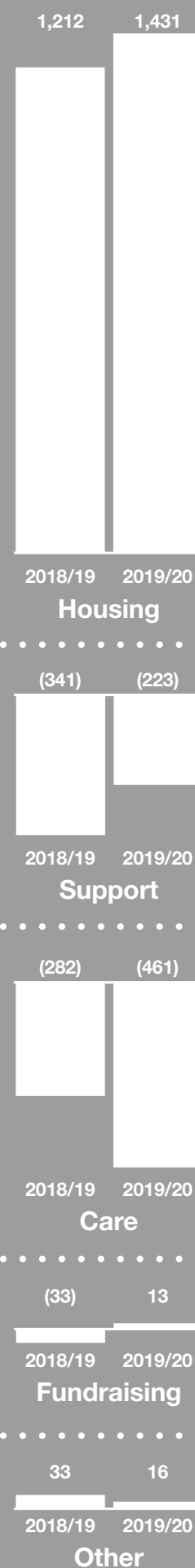
Transform's turnover has increased during the year by 15% to £11.4 million (2019: £9.9 million). This was achieved predominantly through increases in both housing and care income. Our operating costs have increased by 14%, reflecting increases in turnover and other cost increases identified below. The surplus for the year was £364,000 (2019: underlying surplus £255,000 – excluding surplus on asset sales), an increase of 43%. The underlying net margin for the year was 3.2% (2019: 2.5%).

Key changes during the year can be summarised as follows:

- Rent and service charge income increase (£435,000) – this was achieved on the back of implementing 1% rent reductions during the year and incorporates the additional rental income from development handover units (£60,000); bringing the Sutton properties back into management (£290,000) and the full-year effect of the extra care scheme at Mitchison Court (£90,000).
- Housing-related support management charge increases (£676,000) – by reviewing our cost and pricing arrangements we were able to successfully renegotiate an extra fee from local authorities.
- Care deficit (£179,000) – the deficit increased to £461,000 (2019: £282,000), reflecting the increasing costs in delivering these services without a corresponding increase in income. The Board reviewed the financial viability of the care service in September 2019 and decided to withdraw from most of the state funded care packages. The remaining care services will be kept under review.
- Operating costs – the income increases have resulted in a proportionate increase in operating costs. However, further increases were noted as follows:
  - Salary cost increase (£184,000) – we had to pay market salary rates to frontline colleagues to attract colleagues with relevant skills to maintain our service quality. We strengthened our management capacity by creating additional posts to enhance our service delivery, business development, asset management and governance functions.
  - Temporary staff cost increases (£105,000) – we had to use some temporary staff in our 24/7 services to maintain quality and an uninterrupted service.
  - Increased property depreciation (£119,000) – this reflects the higher level of development and re-modelling units brought into management during the year.
  - Health and safety cost increases (£145,000) – during the year, our fire risk assessment (FRAs) identified health and safety issues in two sheltered housing schemes. We acted promptly to deploy a 24/7 staff patrol while the properties were made safe.
  - Professional fee increases (£110,000) – we have used specialist consultants during our fee negotiations with local authorities, service reviews and stock condition surveys.
- Interest cost increase (£77,000) – this is due to increased borrowing during the year.

The graph (right) shows the operating surplus movements during the past two years. As shown, the operating surplus has improved for housing, support and fundraising activities and is able to offset the worsening care deficit.

## Operating surplus (£000's)



## Financial resilience

The following demonstrates Transform's strong financial resilience:

- **Income certainty** – a high proportion of our capital (£53 million) is invested in property assets which provide secure accommodation for clients and generate a long-term rental stream of approximately £7 million per annum for Transform.
- **Liquidity** – £1.6 million cash balance and a further £0.5 million of unused overdraft facility.
- **Borrowing capacity** – undrawn loan facility of £8 million and unencumbered assets of £20 million.

These positive indicators provide good security in the uncertain post Covid-19 and Brexit future.

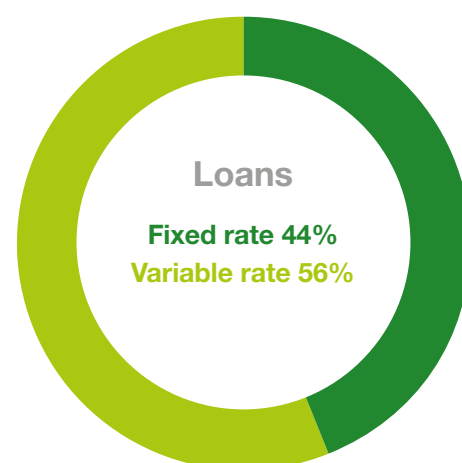
## Capital structure and treasury

We have updated our treasury strategy recently in preparation for a potential no-deal Brexit and the various financial uncertainties facing housing, care and support providers. The new strategy ensures that we can mitigate and manage treasury-related risks-liquidity, interest rate and covenant compliance. We hold sufficient cash or loan facilities to fund development activities for a minimum period of 18 months.

As shown right, we have 56% of the borrowing in variable interest rate loans and in the current low interest environment, this helps to keep our weighted average cost of capital at 3.1%. The fixed interest loan helps act as a buffer against any adverse movements in interest rates.

We invested the excess cash in short-term bank treasury deposits for reasons of security and short-term availability. We ensured that the 'return of capital' is more important than the 'return on the capital' i.e. lower risk investments.

We refinanced a £6.5 million loan facility with Barclays Bank which matures in five years and secured new borrowings of £7.5 million with the Unity Trust Bank.



## Reserve policy

The financial statements show a reserve balance of £22.6 million (2019: £22.0 million), a strong position viewed favourably by lenders. Transform holds these reserves for the following purposes:

1. **Working capital** – we operate three separate activities; housing, support and care and have an overall working capital requirement of £750,000 cash to be held in our bank.
2. **Operational risk management** – this acts as a buffer to manage any unexpected operational risks, e.g. increased costs arising from a pandemic; staffing shortages; remedial asset management work, property fire damage or contract termination.

## ...Reserve policy continued

3. **Income fluctuations** – our rental income is a steady income stream. However, support and care income are more susceptible to change so we require reserves to cover unexpected fluctuations.
4. **Property investment** – we continue to invest in properties as they enable us to meet the needs of clients. Investments also generate long-term income from rental flows and create additional wealth through any appreciation in property values which is used to support Transform’s services.

We have three types of reserves:

- **Restricted reserves** – funds received from donors to be spent specifically on client activities or schemes.
- **Unrestricted reserves** – generated through normal operations for the benefit of clients but which will have already been invested in property assets and therefore are not readily available.
- **Unrestricted reserves and available free reserves** – there is no restriction on the use of these funds.

We had £786,000 in free reserves (2019: £588,000). We reviewed our reserve policy and the contingency plans during the year and reset the free reserve target to £600,000. These figures exclude the impact of the merger with RQHA which is estimated to increase reserves by £3 million and will be accounted for in 2020/21.

## Five-year financial summary

Statement of comprehensive income	2019/20	2018/19	2017/18	2016/17	2015/16
	£000s	£000s	£000s	£000s	£000s
Turnover	11,448	9,920	9,272	7,473	6,565
Operating costs	(10,672)	(9,331)	(8,459)	(6,804)	(5,691)
Underlying operating surplus	776	589	813	669	874
Net interest cost	(412)	(334)	(349)	(348)	(325)
Surplus before exceptional items	364	255	464	321	549
Surplus on asset sales or gift from merger		961	203	4,026	
<b>Surplus for the year</b>	<b>364</b>	<b>1,216</b>	<b>667</b>	<b>4,347</b>	<b>549</b>

Statement of financial position					
Property assets (net book value)	46,346	45,545	42,062	41,857	33,731
Net current assets	667	762	1,557	387	965
	<b>47,013</b>	<b>46,307</b>	<b>43,619</b>	<b>42,244</b>	<b>34,696</b>
Loans and long-term liabilities	24,387	24,262	23,250	22,542	19,425
Reserves	22,626	22,045	20,369	19,702	15,271
	<b>47,013</b>	<b>46,307</b>	<b>43,619</b>	<b>42,244</b>	<b>34,696</b>

Performance indicators					
Number of housing units	896	888	848	827	616
Number of clients supported	2,004	2,106	2,126	2,157	1,177
Operating margin (excluding asset sales)	6.8%	5.9%	8.8%	9.0%	13.3%
Net margin (excluding asset sales)	3.2%	2.6%	5.0%	4.3%	8.4%



**Value for  
money**

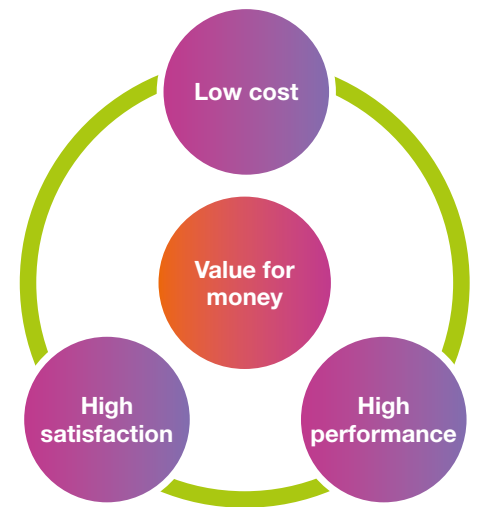
# Value for money approach

Our value for money (VFM) strategy ensures that we derive optimum benefit from the valuable and diverse organisational resources we hold (people, property, finance and reputation) to maximise economy, efficiency, and effectiveness in delivering our strategic objectives.

Our approach to VFM is embedded throughout our strategic objectives which set out the outcomes we intend to deliver. By undertaking this in a cost-effective way, we are able to do more with less. Our VFM delivery model is pictured right.

In doing this we acknowledge the need to strike the right balance between delivering our strategic objectives – which include significant cost savings – and our risk appetite. In particular we need to consider our exposure to any compliance and regulatory risk. The key principle underpinning our strategy and approach to VFM is the need to ensure the long-term viability of the business. This means that consideration must be given to the long-term consequences of our decisions so we can continue to deliver our social mission both now as well as in the future.

The Board monitors compliance with Value for Money Standard and code of practice.



## Our performance

The performance is measured using the Regulator of Social Housing's (RSH) VfM metrics.

We used the valuable data provided by RSH's Global Accounts 2019 and the VfM Metrics – Summary 2019 in our analysis. The RSH recognises that supported housing providers face a different set of challenges and risks compared to general needs social housing providers. We have therefore used the following as the comparator to measure our performance:

- internally – against the targets for relevant year and last year's performance;
- externally – against (a) RSH's Global Accounts 2019 (supported housing) (b) median performance supported housing benchmarking group.

In selecting the supported housing benchmarking group, we have adopted a similar approach to last year in using publicly available information for the identified supported housing providers with similar business models:

**Advance Housing & Support**  
(supported housing 66%)

**Bournemouth Churches Housing Association**  
(supported housing 63%)

**Reside Housing Association**  
(supported housing 99.5%)

**Inclusion Housing**  
(supported housing 95%)

**Framework Housing**  
(supported housing 84%)

**Look Ahead Care Support and Housing**  
(supported housing 98%)

The business scorecard on page 25 shows performance comparisons and our findings are detailed on page 25-26.

# Business scorecard

Business score card		RAG	Mar 20	Mar 19	Target/budget 2019/20	RSH Global Accounts	Median for supported housing	Target 2020/21
<b>Financial viability matrix</b>								
1	Operating margin: overall	●	6.8%	5.9%	5.5%	8.0%	5.5%	6.8%
	social housing	●	21.1%	21.7%	21.0%	12.9%	9.6%	20.0%
2	Interest cover ratio (EBITDA MRI)	●	2.8	2.4	2.5	2.3	1.5	1.7
<b>Operating efficiencies</b>								
3	Headline social housing cost per unit (£000's)	●	£11.9	£10.5	£12.0	£8.5	£11.0	£11.5
4	Housing management cost per unit (£000's)	●	£1.0	£0.8	£1.0	£1.2	£1.0	£1.0
5	Maintenance cost per unit (£000's)	●	£1.2	£1.1	£1.2	£1.2	£1.0	£1.0
<b>Outcomes delivered</b>								
6	Number of clients supported	●	2,004	2,106				2,100
7	Planned move-ons	●	82%	88%	75%			75%
8	Client satisfaction: quality of housing	●	95%	95%	95%			95%
	quality of support	●	98%	99%	95%			95%
	quality of care	●	99%	100%	95%			95%
<b>Efficient asset management</b>								
9	Return on Capital Employed (ROCE)	●	1.7%	3.3%	2.0%	3.4%	2.0%	1.8%
10	Occupancy	●	94%	94%	93%	92%	91%	94%
11	Planned maintenance %	●	33%	36%	30%		30%	35%
<b>Development capacity</b>								
12	Units delivered	●	10	40	8			8
13	Units delivered as % units managed	●	1.1%	5.0%	1.0%	1.5%	0.3%	1.0%
14	Re-investment % of property costs	●	2.8%	10%	1.0%	3.3%	5.7%	3.0%
15	Gearing %	●	25%	23%	24%	13.3%	5.3%	25%

## Key

Target achieved	●
Target incorporating adjustment is achieved	●
Target not achieved	●

## Financial viability

Transform's strong financial viability can be demonstrated using the following measures:

- Operating margin – this increased from 6% to 7%, exceeded budget expectations and is above the median for the benchmark group. This increased operating margin strengthens organisational viability and overall financial strength. The decision to reduce dependence on local authority-funded care packages and refocus on more sustainable activity, including higher return private packages, has also strengthened financial viability as an organisation.
- Interest cover EBITDA MRI ratio – this provides an approximation of cash generated compared to interest payments. This ratio shows that performance exceeds the budget expectation and is above the median for the benchmark group.

## Operating efficiency

Our operating cost management has been reviewed using the following measures:

- Operating cost per unit – The Regulator of Social Housing (RSH) uses the headline operating cost per unit, as a key efficiency measure and its cost regression analysis shows that the overall unit costs for the supported housing providers are dependent on (a) the proportion of their income and costs from supported housing (b) clients' support needs (c) size of the organisation (d) regional cost variances.

As a result of this methodology, the costs of our care service are included within the calculation of the unit cost without any corresponding housing units. Transform's headline operating cost per unit of £11,911 is within the RSH's expected range (£10,000 to £14,000 per unit/annum). Excluding the Care Service Transform's cost per unit is £9,471 (2019: £8,610).

- Housing management and maintenance cost per unit – though these unit costs have increased during the year due to the provision of 24/7 cover provided in the two sheltered housing schemes, the unit costs are still competitive against the median unit costs for the benchmarking group.

#### **Outcomes delivered**

As per our VFM strategy, our service delivery is aimed at delivering excellent client outcomes and high client satisfaction. These are demonstrated by the following measures:

- clients supported – 2,004 clients were supported during the year (a similar number to the previous two years);
- planned move-on for clients – 82% of clients who left in the year moved on in a planned manner which exceeded our target of 75%;
- client satisfaction – client satisfaction has been excellent across our services and this consistent performance during the past three years is evidence of our strong commitment to service delivery.

#### **Efficient asset management**

Our asset management strategy focuses on the best use of property assets and managing them effectively in the long term. We carry out options appraisals on any investments in existing or new properties.

- Return on capital employed (ROCE) – this is lower for the year compared to last year’s budget expectations and the median for the benchmark group. However, last year’s surplus included ‘surplus on asset sales’ and the

ROCE (excluding asset sales) is 1.7% (2019: 1.3%) and shows an improvement.

- Occupancy rate of 94% – though this is similar to last year, it is above the median rate for the benchmarking group. We recognise the need to improve it and have committed more management focus during the current year (2020/21).
- Planned maintenance ratio – this ratio is shown as 33%, and is in-line with our plans and the comparator group.

#### **Development capacity**

This measures the development units delivered during the year and Transform’s future development potential. It is shown as follows:

- Units delivered – 10 new units of accommodation, including the short-term leases of a block of six units were acquired during the year. Though this is a lower number than the units delivered last year, it exceeds our budget expectations and is comparable to the median for the benchmarking group.
- Gearing ratio – this shows the proportion of borrowings, in relation to the size of the asset base. We normally borrow to fund new development schemes. The current gearing ratio is within the long-term business plan expectations and is considered low by our lenders. The benchmarking shows that other supported housing providers have a lower gearing, as many have been funded by much higher levels of grant with a resulting lower requirement for borrowing. Transform has £8 million of undrawn loan facility.

## **Summary**

The business scorecard analysis on page 25 shows that Transform’s performance exceeds target expectations and is comparable with the median performance of the supported housing benchmarking group. The Board has reviewed this analysis and is comfortable with Transform’s overall performance.

## **Future improvement plans**

Based on the above findings, the following three key areas of improvement were identified for 2020/21:

- property occupancy (void management);
- cost management to reduce the social housing unit costs;
- acceleration of delayed development schemes.

Transform has committed further management resources to achieve these improvements.

# Social value

The services that Transform delivers i.e. housing, support and care, have an impact on two levels:

- they benefit the individuals that we are supporting;
- they benefit society as a whole.

These combined benefits are referred to as the **social value** of services provided, these include:

1. **Properties** – we provide safe and secure homes for clients, where they find stability. This is both a safety net and a springboard to better their lives.
2. **Support and advice** – this enhances the clients' independence and quality of life.
3. **Community activities** – participation in training, education and volunteering improves clients' wellbeing and provides more opportunities for them in the future.

Measuring this social value created by what we do ensures that we squeeze the maximum value from each pound that we invest. Measuring the outcomes that are important to clients and other stakeholders enables us to make informed and evidence-based investment decisions.

Our social value measurement tool addresses the following key questions:

1. Has the service we have provided achieved a positive outcome for the client?
2. What is the value of this outcome?

We use two different models to determine the social value:

- **HACT Wellbeing Valuation model** – determines the value of client impact;
- **Capgemini Benefit Realisation tool** – determines the impact on society (e.g. savings to the public purse).

## Wellbeing gains

Our 2020 client satisfaction survey shows that on average **86%** of clients 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: individual

To provide an example of the benefits realised by our work, we have assessed the social value of our services for one client, Margaret. We considered Margaret's story and the journey she has been on since receiving support from Transform. We then used social value tools to measure the impact of our support and to place a financial value on the outcomes achieved. We used two established social value tools:

## HACT Wellbeing Valuation model

This was used to calculate the wellbeing benefits to Margaret by placing a financial value on the improvements achieved. This figure represents the amount of extra income a person would need in order to increase their wellbeing by the same amount as the support provided.

## Capgemini Benefits Realisation tool

We used this to ascertain the financial savings to the public purse as a direct result of the support provided by Transform.

By combining the HACT model and the Capgemini tool we can determine the overall social value of the support provided to Margaret and the related cost/benefit ratio.



## Financial value

**Social value to society £21,921**

## Wellbeing value to Margaret:

- Training for employment (JobCoach) £1,065
- Managing finances £4,120
- Mental health: confidence and feeling in control £10,323
- Able to obtain advice locally £1,592

**Total wellbeing value to Margaret £17,100**

**Cost of providing the service per client £2,834**

**Total social value generated per year £39,021**

**Total social value for every £1 invested £13.77**

# Margaret's story

**Margaret has received support from Transform's Wokingham housing-related support service since March 2018. The aim of the service is to prevent homelessness by supporting people who are at risk of losing their homes. Clients are allocated a Housing & Support Officer (HSO) who arranges to see them on a regular basis.**

**Initially Margaret's HSO would visit her at home every week to provide support, but after about six months Margaret's confidence had grown sufficiently that she felt able to come to the scheme office in Wokingham town centre for her appointments. Below is Margaret's account of the support she has received.**

"I grew up with my parents and my sister in the house that I live in now. When my parents died we inherited the tenancy. I really enjoy living there. I live with my sister who has learning difficulties too. We live independently but we have carers who come and help us.

"I was receiving benefits but they changed to Universal Credit. Then my benefits just stopped and I didn't know why. Because of my learning difficulties I struggle to understand things like paperwork and telephone conversations. I needed some help so I contacted Transform.

"When I knew someone from Transform was coming to my house I was a bit anxious but my keyworker was really friendly and went through a support plan with me. We discussed what help I wanted, and then decided what we needed to do first and how we were going to do it.

"My keyworker has helped me a lot with so many things; she even got me a washing machine! When I first met her I didn't have one, I had to

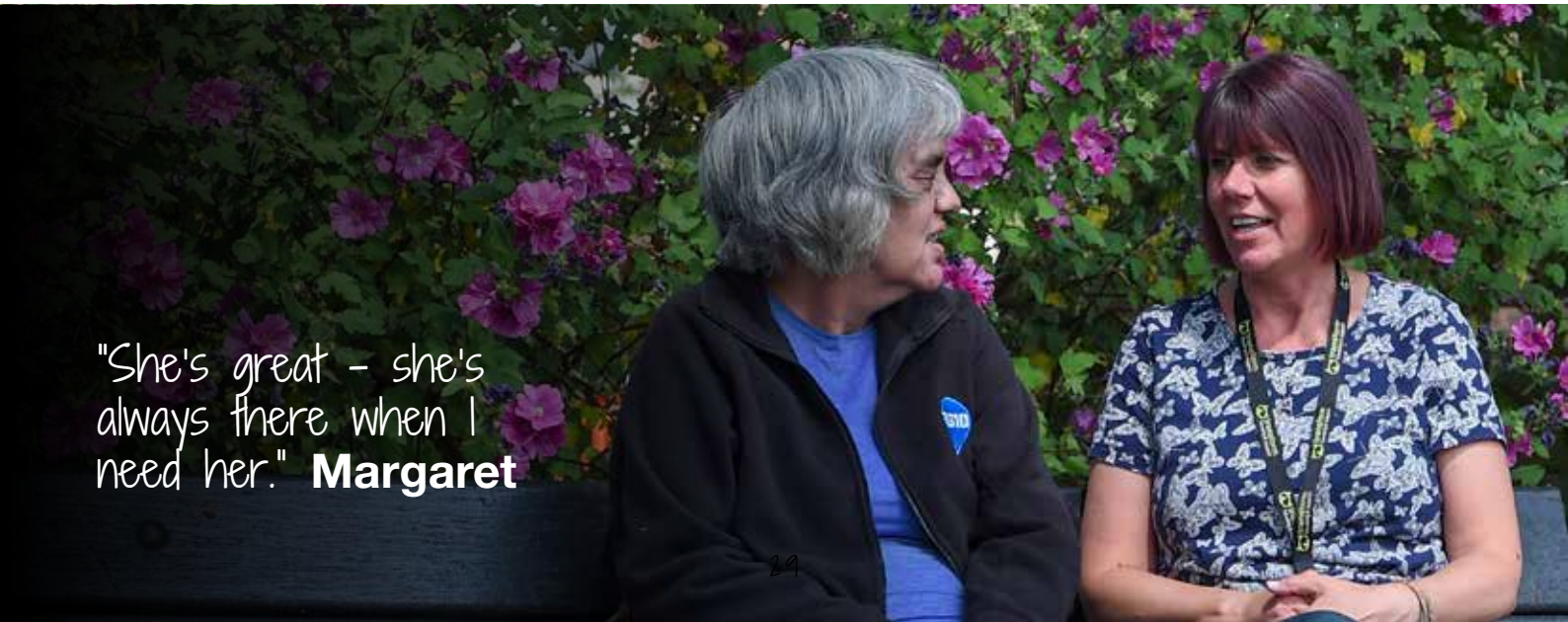
go to the launderette to do washing but because public transport is very limited where I am, I really struggled. My keyworker helped me get a grant for a washing machine – I was so pleased. The first time the carers used it the washing came out smelling lovely – I wasn't used to it!

"An organisation called Optalis was helping me find a job. I had a Job Coach which was funded through the JobCentre but it was only funded for six months. When it was coming to an end and I didn't have a job, my job coach and keyworker liaised with adult social services at Wokingham Borough Council to try and get the funding continued – and they were successful.

"They also felt that I should be entitled to another benefit called Personal Independence Payment [known as PIP] so my keyworker helped me apply and even came to the meetings with me because I find them difficult. At first they turned me down but after an appeal they finally agreed and I even got the money backdated. She did a really good job.

"I kept receiving these letters which I didn't understand so I'd just bin them but when I showed one of them to my keyworker she realised they were important letters about a pension I was entitled to. She's now helping me claim that as well! My HSO is not allowed to give me advice on it though, so she took me to Pension Wise. They explained everything to me but it wasn't very clear so my keyworker put the information together in a way that I could understand it. I was able to choose what I wanted to do with it by myself. She made it much easier – I don't know how I'd manage without her.

"I feel really happy at the moment because I know that if I've got any problems I can just ring my HSO. In fact I've got something else that I need to discuss with her at the moment – I need to fill in a form but I know I'm going to struggle to understand it so I will need her help. She's great – she's always there when I need her."



"She's great - she's always there when I need her." **Margaret**

# Improvements in Margaret's wellbeing

With Transform's support, Margaret has achieved the following improvements in her life:



## Finances

Margaret's primary support need was with her finances. Originally this was support with her Universal Credit claim, but this later expanded to include; claiming her pension, claiming for a Council Tax reduction, submitting a backdated claim for Personal Independence Payment (PIP), applying for a grant to purchase a washing machine and claiming continued funding for a JobCoach. By addressing all these areas, Margaret is now in a much more secure financial position and has even been able to save some money.



## Mental health

In addressing her finances Margaret now feels much more in control of her life and her confidence has improved greatly. She no longer needs regular support from Transform but at the same time she has the reassurance of knowing that, whenever an issue arises or she needs support with a form or her finances, she only needs to call Transform and we will be there.



## Housing

By supporting Margaret with her finances, Transform has ensured that Margaret has the income she needs to pay her rent and maintain her home both for herself and her sister. This not only helps them but also society as a whole as it means they are both able to remain living independently in their home with the support of carers rather than requiring specific supported accommodation, which is often much more expensive.

"Margaret is quite happy just chugging along the way she is... she knows there is help available if she needs us again in the future.." **Margaret's keyworker**



# Social value case study: the service

## HACT evaluation of Transform's Wokingham housing-related support service

In 2019 the Housing Associations' Charitable Trust (HACT) was commissioned by Transform to carry out an independent assessment of the support provided by the Wokingham team. This service is provided by Transform in partnership with Wokingham Borough Council and Wokingham Community Mental Health Team and provides support to people in and around the Wokingham area to help prevent homelessness. There are two types of activity carried out by the team:

- **Housing-related support** – this can be provided either as floating support, where colleagues visit clients in their home, as surgery support, where clients come to the office in Wokingham for a pre-arranged appointment, or as drop-in support, where clients simply turn up at the office if they need support with anything. Transform colleagues work alongside the client to draw up a support plan which can cover a range of issues such as assisting with benefit claims, maintaining a tenancy and improving physical and mental health. Margaret's story is a good example of this support.
- **Housing and support for those with mental health issues** – this service provides support and housing for clients with mental health needs who do not require support 24 hours a day but who are not yet ready to live independently. Support is aimed at enabling clients to develop the skills and confidence necessary to successfully make the transition to independent living.

## External stakeholder feedback

As part of the assessment, HACT approached external stakeholders to ask them what they thought of the service Transform provides in Wokingham. Here are some of the things they said:

- "They get the balance right between assisting people to solve issues and empowering them to develop the knowledge and skills to address problems that may arise in the future."
- "They are one of the best support agencies I work with."
- "I have been very impressed with their knowledge and the friendly, open way they treat people."
- "I have a client on my case-load who is receiving direct support from Transform which has been invaluable to that person."

## Financial impact of the Wokingham services

HACT carried out an analysis of the positive financial impact of the support provided in Wokingham. They calculated the average household debt reduction for 69 clients who had needed financial support. They then calculated the average household increase for these same clients:

- The average debt reduction for the 69 clients was £1,303.64.
- The average household income increase for the 69 clients was £7,708.78.
- In total they found that, for these 69 clients, every £1 of support funding yielded a positive financial impact of £9.97.

## Client feedback

Transform approached 41 former clients who had used the Wokingham service between 2013 and 2019 to find out what the long-term impact of the support provided was.

**98%** reported they were living in **settled accommodation**.

**100%** reported that the support received from Transform helped them to **maintain settled accommodation**.

**100%** thought that Transform's support had helped them to **improve their general quality of life**.

The report states: "What we can draw from this is that, in general, Transform does a good job of making clients' improvements sustainable. Across all of these measures, a large majority of [former] clients have maintained improved self-management skills, healthy behaviours and relationship skills."

The HACT report concluded that: "In the opinion of the reviewers this is an excellent service that is well-regarded by all partners. The staff are well-respected as being highly skilled and committed to supporting clients to achieve their recovery goals."



# Risk management

# Principal risks and uncertainties

The Board is responsible for the risk management process and has identified the following key risks and mitigations.

Risk	Description	Mitigations
Security of future funding arrangements	Uncertainty around the future funding of support and care	<ul style="list-style-type: none"> <li>Deliver strategically relevant, high-performing services</li> <li>Secure most contracts until 2021</li> <li>Seek diversification opportunities</li> </ul>
Inability to attract and retain skilled and effective colleagues	Staff vacancies reduce ability to maintain service quality	<ul style="list-style-type: none"> <li>Implement new pay and rewards policy</li> <li>Improve recruitment process</li> <li>Invest in employee development</li> <li>Enhance employee engagement</li> </ul>
Failure to meet health and safety requirements	The failure to maintain robust oversight of all health and safety-related matters – including statutory obligations relating to clients' health and safety	<ul style="list-style-type: none"> <li>Ensure robust monitoring systems and processes are in place</li> <li>Close scrutiny by the Board and Executive of performance and preventive and corrective actions taken as required</li> <li>Ensure adequate investments are made to meet requirements</li> <li>Complete internal and external audits</li> <li>Commission external stock condition survey</li> </ul>
Over-reliance on single local authority	Income from Surrey County Council represents 90% of support income and around 25% of care income	<ul style="list-style-type: none"> <li>Diversify funding sources for support activities</li> <li>Develop new services which aren't dependant on support income</li> <li>Develop new partnerships</li> <li>Ensure effective contingency plans are in place</li> </ul>
Service failure resulting in reputational damage	This could be as a result of a serious incident, a safeguarding issue or where Transform has failed to deliver an adequate service.	<ul style="list-style-type: none"> <li>Carry out staff DBS checks</li> <li>Complete regular risk assessments</li> <li>Continue to deliver a robust policy framework</li> <li>Ensure colleagues continue to be well-trained and well-led</li> <li>Continue to encourage a positive safeguarding and whistle-blowing culture</li> <li>Continue to deliver a robust complaints system.</li> </ul>

The Executive team reviews all risks on a regular basis. This year these have included a no-deal Brexit and the emerging Covid-19 pandemic.

# Brexit

The UK and EU Parliaments have ratified the Withdrawal Agreement and from 31 January 2020, the UK and EU entered an 11-month transition period. Throughout this period, the UK and the EU started to set out plans for their new relationship. Trade between the UK and EU will continue as usual.

The no-deal scenario is still possible if by 31 December 2020, the UK and EU have not reached a trade deal – the UK may have to trade on the World Trade Organisation’s terms. Transform has been preparing for a no-deal Brexit and we have updated our risk mitigations and stress testing accordingly.

The risks of a no-deal Brexit to Transform and planned measures to mitigate these include:

## 1. Liquidity and funding gaps

### Mitigations:

- hold adequate cash or banking facility to cover the operating costs in the short-term;
- maintain adequate loan funding to cover 18 months’ development activity;
- hold a higher proportion of loans-held on fixed interest terms.

## 2. Development cost increases/delays due to labour shortage

### Mitigations:

- fixed-price development contracts with contractors;
- close monitoring of development projects.

## 3. Care and support staff shortage

### Mitigations:

- use of temporary or bank staff;
- adequate provisions in the salary budget to cover the extra cost from temporary staff;
- encourage EU staff/tenants to apply for the EU Settlement schemes;
- ensure a competitive employee offer is in place.

## 4. Significant political and fiscal policy changes

### Mitigations:

- close monitoring of political developments and prompt response;
- a contingency plan to respond to any changes in commissioning arrangements.

## 5. Negative impact on our clients of an economic downturn

### Mitigations:

- a clients’ hardship fund to provide financial support;
- emotional and practical support for clients.

# Covid-19 pandemic risk

Transform has a key responsibility to protect the safety and security of clients as well as colleagues. The Covid-19 lockdown has affected all organisations, including Transform.

We carried out risk assessments to inform the arrangements we put in place to protect the safety of vulnerable clients and colleagues.

We followed Government guidance on social distancing, self-isolation, and the use and provision of Personal Protective Equipment (PPE) for all colleagues. All services have remained open throughout the pandemic.

Non-essential maintenance services were suspended during phase one of the lockdown, but essential works continued. This ensured we kept clients safe but also complied with the Regulator of Social Housing (RSH) guidance. We have carried out the essential statutory health and safety checks to ensure that clients are safe in their accommodation.

Colleagues based in the 'back office' were provided with IT facilities to work from home. They adapted, quickly, efficiently and effectively to the changes.

Those who were susceptible to the affects of the virus and any frontline workers with caring responsibilities who were unable to work from home were furloughed under the Government scheme (8% of staff). Under this scheme the Government paid 80% of their salaries which Transform topped up to 100%.

## Financial impact of Covid-19 on Transform

Our rental income has remained stable during the pandemic however there has been a slight increase in voids and bad debts. Support income derived from local authorities has continued uninterrupted. Care income has been largely

unaffected since we have been able to cover all scheduled care appointments.

Although only a few Transform colleagues contracted the virus, and some were initially self-isolating, we have continued to deliver services with the use of a small number of temporary staff.

However, there has been a substantial rise in the use of PPE and, as a consequence, costs have gone up significantly.

As the affects of the Covid-19 pandemic were only felt by the organisation in March 2020, there was no significant impact in the financial year 2019/20. The full impact will be felt in the financial year 2020/21. We have factored in increased costs and undertaken stress testing so are confident that we will be in a good financial position to meet these challenges.

This stress testing has included:

- the impact on activities during the period when social distancing has been required;
- the financial impact on future income streams, operating costs and cashflow;
- Transform's financial sustainability as a 'Going Concern'.

## Financial resilience

Transform's financial resilience can be demonstrated by the high-level of investment in property assets over the years and a steady flow of rental cash. Transform's financial statements show low gearing and strong liquidity and good borrowing capacity. We have very good relationships with our lenders and have their support. Therefore, the Board have strong confidence in Transform's ability to weather the economic storm as a result of Covid-19.



Housing income	60%
Support income	24%
Care income	15%
Other income	1%



# Governance

# Governance

## Legal status

Transform Housing & Support is a company limited by guarantee and a registered charity and social housing provider.

## The Board

The Board is the ultimate governing body. Transform's Board of Trustees comprises of 10 members.

We carry out regular skills audits during the year and ensure members are drawn from a range of professional and business backgrounds. During the year, three board members stepped down and three new members were appointed.

## 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.

- 1. Finance and Audit Committee:** This committee oversees the finance function, internal and external audit activities, risk management and internal control framework. The committee secures assurance through an internal control system and internal and external audit processes.
- 2. People Committee:** This committee has responsibility for overseeing people-related matters.
- 3. Development and Asset Management Committee:** This committee, newly formed this year, oversees and approves property investment strategies covering acquisitions, capital expenditure, development, asset management and disposals.
- 4. Client Services and Performance Committee:** This committee, which was established this year, scrutinises the executive performance in respect of core business operations. It provides assurance to the Board that operational performance is subject to effective non-executive oversight.
- 5. Nominations Committee:** This committee supports the Board in its consideration of Transform's leadership needs.

## Executive team:

This team is led by the Chief Executive and comprises other executive members shown on page 7. This team is responsible for managing the day-to-day running of the organisation and for devising and delivering the overall strategy.

## 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

## Governance and Financial Viability Standard

Transform has undertaken an assessment of compliance with the governance and financial viability standards as required by the Accounting Direction 2015. In the current climate post-Grenfell Tower, we have considered our compliance with all relevant laws, particularly the fire safety standards, building regulations standards and consumer standards. The Board can confirm no evidence of non-compliance has been identified since the last report.

## 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 the organisation's objectives. Transform's work supports those on the margins of society to overcome the difficulties they face in their lives.

## Fundraising statement

We are committed to protecting our donors and the public, including clients, from any unreasonably intrusive or persistent fundraising approaches and will not apply any undue pressure on them to donate. Colleagues deal gently and with extreme care with existing and potential donors, protecting our charity's reputation and values. We do not use any external professional fundraising services.

To provide reassurance to our donors and supporters, and to demonstrate our 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 are compliant with the standard. We use the Fundraising Regulator's logo on all fundraising communications.

Transform has not yet received any requests to remove or suppress donor data from the regulator's 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 financial 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.

# 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 Board 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 2018 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 Board is 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. It ensures that the financial statements comply with the Companies Act 2006. It is responsible for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

As far as the Board is aware, the company's auditors are in receipt of all relevant information.

The Board is responsible for the maintenance and integrity of all corporate and financial information, including Transform's website.

## Internal control

The Board acknowledges its overall responsibility for establishing and maintaining internal controls and for annually reviewing their 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 mis-statement or loss.

The process of identifying, evaluating and managing significant risks facing the organisation is ongoing. It has been in place from 1 April 2019 to the date of board approval (20 August 2020).

The key elements of the framework include:

- Board-approved terms of reference and delegated authority to the Finance and 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 colleagues 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 and Audit Committee and regular external validation by auditors;
- regular Board reporting on key objectives, targets and client outcomes;
- an internal audit programme carried out by the internal auditors TIAA Ltd providing 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 and 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 have also obtained Cyber Essentials Scheme certificate which recognises good practice in the industry. The internal audit partner from TIAA attends the Finance and Audit Committee meeting in May each year, providing assurance to the committee and the Board.

## External auditor

Nexia Smith & Williamson were re-appointed as external auditor at our Annual General Meeting on 26 September 2019. A resolution for their re-appointment will be proposed at the forthcoming Annual General Meeting on 24 September 2020.

By order of the Board.



Mark Austen  
Chairman



# Financial statements

# Auditor's report

## Nexia Smith & Williamson

### Report of the independent auditor to the members of Transform Housing & Support

#### Opinion

We have audited the financial statements of Transform Housing & Support (the 'Company') for the year ending 31 March 2020 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 2020 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 2019.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Conclusions relating to going concern

We 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 twelve months from the date when the financial statements are authorised for issue.

Emphasis of Matter: We draw attention to notes 2 and 31 (on pages 49 and 68 ) of the financial statements, which show the impact of Covid-19 on the Association. Our opinion is not modified in respect of this matter.

#### 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 during 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 responsibilities of the Board set out on page 39, 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.

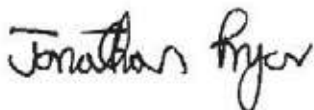
### **Auditor's responsibilities for the audit of the financial statements**

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 Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the 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**

Senior Statutory Auditor for and on behalf of Nexia Smith & Williamson  
Statutory Auditors  
Chartered Accountants  
25 Moorgate  
London EC2R 6AY

28 August 2020

## Statement of comprehensive income for year ending 31 March 2020

	Note	2020	2019
		£000s	£000s
<b>Turnover</b>	3	<b>11,448</b>	<b>9,920</b>
Operating expenditure	3	(10,672)	(9,331)
Underlying operating surplus		776	589
Gain on disposal of housing properties	9	-	961
<b>Operating surplus</b>		<b>776</b>	<b>1,550</b>
Interest receivable	7	10	6
Interest and other financing costs	8	(422)	(340)
<b>Surplus for the year</b>		<b>364</b>	<b>1,216</b>

### Other Comprehensive Income:

Initial recognition of multi-employer defined benefit scheme	24	-	596
Actuarial gain/(loss) in respect of pension scheme	24	217	(136)
<b>Total Comprehensive Income for the year</b>		<b>581</b>	<b>1,676</b>

The above results relate wholly to continuing activities. The accompanying notes form part of these financial statements. The financial statements were authorised and approved by the Board on 20 August 2020.



**Mark Austen**

Chairman



**Paul Rees**

Chairman of the  
Finance & Audit Committee



**Ratna Sukumaran**


Company Secretary

## Statement of financial position as at 31 March 2020

	Note	2020	2019
		£000s	£000s
<b>Fixed assets</b>			
Property, plant and equipment	11	<b>46,346</b>	<b>45,545</b>
<b>Current assets</b>			
Trade and other debtors	12	1,094	899
Cash and cash equivalents	13	1,607	1,791
		2,701	2,690
<b>Creditors: amounts falling due within one year</b>	14	(2,034)	(1,928)
<b>Net current assets</b>		667	762
<b>Total assets less current liabilities</b>		47,013	46,307
<b>Less: creditors – amounts falling due after more than one year</b>	15	(24,260)	(23,929)
Pension – defined benefit liability	24	(67)	(317)
Other provisions for liabilities and charges	19	(60)	(16)
<b>Total net assets</b>		<b>22,626</b>	<b>22,045</b>
<b>Capital and reserves</b>			
Restricted reserve		176	146
General reserve – invested in property		21,664	21,311
– free reserve		786	588
		<b>22,626</b>	<b>22,045</b>

The accompanying notes form part of these financial statements. The financial statements were issued and approved by the Board on 20 August 2020.

**Company number: 01057984**



**Mark Austen**  
Chairman



**Paul Rees**  
Chairman of the  
Finance & Audit Committee



**Ratna Sukumaran**  
Company Secretary

## Statement of changes in reserves for year ending 31 March 2020

	Restricted reserves	General reserves		Total
		Invested in property	Free reserves	
	£000s	£000s	£000s	£000s
<b>Balance at 1 April 2018</b>	129	19,269	971	20,369
Surplus for the year	-	1,216	-	1,216
Other Comprehensive Income for the year	-	460	-	460
Total Comprehensive Income for the year	-	1,676	-	1,676
Transfer between reserves	17	366	(383)	-
<b>At 31 March 2019</b>	146	21,311	588	22,045
Surplus for the year	-	364	-	364
Other Comprehensive Income for the year	-	217	-	217
Total Comprehensive Income for the year	-	581	-	581
Transfer between reserves	30	(228)	198	-
<b>Balance at 31 March 2020</b>	<b>176</b>	<b>21,664</b>	<b>786</b>	<b>22,626</b>

The accompanying notes form part of these financial statements.

## Statement of cash flows for the year ending 31 March 2020

	Note	2020	2019
		£000s	£000s
<b>Net cash generated from operating activities</b>	22	1,077	1,777
<b>Cash flow from investing activities</b>			
Purchase and refurbishment of housing properties		(1,683)	(4,332)
Proceeds from sales of fixed assets		-	1,020
Grants received		40	442
Interest received		10	6
<b>Net cash used in investing activities</b>		(1,633)	(2,864)
<b>Cash flow from financing activities</b>			
Interest paid		(358)	(340)
Further borrowing		1,000	1,500
Repayment of borrowings		(270)	(270)
<b>Net cash used in financing activities</b>		372	890
<b>Net change in cash and cash equivalents</b>		(184)	(197)
<b>Cash and cash equivalents at:</b>			
<b>Beginning of the year</b>		1,791	1,988
<b>End of the year</b>		<b>1,607</b>	<b>1,791</b>

# Notes to the financial statements

## 1. Legal status

Transform Housing & Support is

- Registered under the Companies Act 2006, and is a company limited by guarantee (registered in England and Wales with number 01057984).
- Registered with the Regulator of Social Housing and Homes England (H2452).
- A registered charity with the Charity Commission (264133).
- Regulated by the Fundraising Regulator – mainly our fundraising activities.
- Registered with Care Quality Commission (CQC) regarding our care activities.

Principal Activity – the provision of housing, support and care to clients.

## 2. Accounting policies

The principal accounting policies are summarised below. Except as explained below, 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 the UK Generally Accepted Accounting Practice (UK GAAP) including Financial Reporting Standard 102 (FRS 102) and the Housing SORP 2018: Statement of Recommended Practice for Registered Social Housing Providers. They comply with the Accounting Direction for Private Registered Providers of Social Housing 2019.

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

### Going concern

In preparing the financial statements, management has assessed the company's ability to continue as a going concern. In this assessment management considered all available information about the future, which is at least, but is not limited to, 12 months from the date when the financial statements are authorised.

Our scenario analysis covered the potential impact of the following events:

- a. Covid-19** and the expectation on the company to operate in unprecedented times in the future, having measures in place to protect vulnerable clients and staff with social distancing rules likely to be in place for some time and severely impacting service delivery mode and the cost of operations (see also note 31).
- b. Long-term impact arising from the economic shut-down**, deep recession, the prolonged economic recovery and the potential impact of all the above on the company, sector and the supply chain.
- c. Impact of Brexit** – our judgement and assumptions during the transition period, where UK-EU relationship will continue to be the same as now, and that the transition period will end in December 2020. We have also considered the impact of a potential No-deal Brexit on Transform by way of shortages in accessing fresh capital, EU workers (mainly care workers), increasing staffing costs and staff retention.

Transform's business activities, our current financial position, and the factors that are likely to affect our future development are set out in the Strategic Report. The company has in place adequate long-term debt facilities to fund our commitments on the strategic investments and development programmes, along with the company's day-to-day operations. The company has a long-term business plan which shows that it can service these debt facilities whilst continuing to comply with lenders' covenants.

On this basis, the Board has reasonable expectation that Transform has adequate resources to continue in operational existence for the foreseeable future, being a period of at least 12 months after the date on which the report and the financial statements are signed. For this reason, it continues to adopt the going concern basis in 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.

- **Transfer of Engagement:** during the year the Transform and RQHA boards agreed to merge through a process known as a Transfer of Engagement (ToE). Under this process all the assets and liabilities of RQHA were to be transferred to Transform at fair value. Both boards and RQHA members consented to the merger prior to year-end and, post year-end applied and received the formal approval to merge from the Financial Conduct Authority (FCA) on the 15 May 2020 (see note 30).

Transform's chosen accounting policy is that as the above transfer was only formally approved post year-end, the value of the gift arising from the merger should not be recognised in the financial statement to March 2020. Though we have incurred £80,000 worth of merger-related costs, these were capitalised so that they could be matched against the gift income in the financial year to March 2021.

## Other key sources of estimation uncertainty:

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

- **Impairment of housing properties:** during the year, our Fire Risk Assessments (FRAs) in two sheltered housing schemes revealed some concerns about the fire stopping measures in place, including compartmentation issues. Due to the significant cost of the remedial works, the Board reviewed our options appraisal and approved a revenue spend of £120,000 and a further capital spend of around £500,000 for these two schemes.

During the year we had the 24/7 security patrol cover while the urgent works were carried out to upgrade the alarm system and the necessary repairs to the fire doors. We also commissioned the capital works following a formal tender process. The capital work was scheduled to take place in the first quarter of 2020/21, but due to Covid-19 lockdown, was delayed to September 2020. However, the management team carried out an impairment review on the two properties and concluded that no impairment provisions were required.

- **Defined benefit obligation:** management's estimate of the defined benefit obligation is based on a number of critical underlying assumptions such as standard rate of inflation, mortality, discount rate and anticipation of future salary increases. We are conscious that there were no active members within the company's defined benefit plan and the assumptions were in line with actuarial recommended rates. Variations in these assumptions may significantly impact the liability and the annual defined benefit expenses (shown in note 24). The net defined benefit pension liability at 31 March 2020 was £67,000.
- **Useful lives of depreciable assets:** management reviews its estimate of the useful lives of depreciable assets including any components. Uncertainties in the estimates relate to technological obsolescence that may change the utility of certain software and IT equipment and changes to decent homes standards which may require more frequent replacement of key components. As at the year ended 31 March 2020, the carrying amount of the housing properties was £52.8 million and accumulated depreciation was £7.01 million.

During the year we have been reviewing and upgrading HR, payroll and care IT systems and at year-end the two software implementation programmes were in progress. The software implementation cost of £158,000 was capitalised and will be amortised on completion of the implementation process.

The head office refurbishment work was in progress at the year-end with a cost to date of £84,000. This will be amortised over the remaining office lease period.

- **Loan refinancing:** we have finalised the new loan facility with Unity Trust Bank for £7.5 million, signed in March 2020 and we are waiting the completion of the loan securitisation by September 2020, to be able to draw on the facility. The related legal and securitisation costs spent during the year have been capitalised and the amortisation will commence once we start drawing on the facility.

## Turnover and revenue recognition

Turnover represents the income received or receivable from the following sources:

**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. The enhanced housing management fees receivable that is funded by housing benefit is also included here.

**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. Works to existing properties which replaces a component that has been treated separately for depreciation purposes, along with those works that result in increase in net rental income over the lives of the properties, thereby enhancing the economic benefits of the assets, are capitalised as improvements.

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 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
Flat roofs	15 years
Windows	30 years
Kitchens	15-20 years
Bathrooms	25-30 years
Boilers	15 years
Other building facilities	10 years

Other fixed assets	
Furniture and fittings	7 years
Office equipment	7 years
Office fittings	10 years
Specialist software	7 years
Computer equipment	3 years

### Impairment of housing properties

Housing properties are assessed annually for impairment indicators. Where indicators are identified, an assessment for impairment is undertaken comparing the schemes carrying amount to its recoverable amount.

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

When comparing a scheme's carrying amount with its recoverable amount, any excess carrying amount on the scheme is written down to its recoverable amount. The resulting impairment loss is recognised as an operating expenditure.

With regard to supported housing schemes, management deems the properties are held not just to generate future cash, but they provide an additional social value i.e. these properties are held for their service potential. Therefore, the recoverable amount for these properties should be higher of (a) fair market value less cost of sale (b) its value in use Service Potential (VIU-SP).

Value in Use Service Potential (VIU-SP) – This can be used when the schemes can be let in the current condition and that fulfils a social purpose in addition to generating net rental cash flow. The 'depreciated replacement cost (DRC) methodology can be used to measure this.

The DRC basis considers (a) cost of purchasing an equivalent property on the open market (b) the rebuilding cost of the property (of a similar condition, age, location, and type) less depreciation considering the age and condition of the property. However, we are able to establish that there is no active market for such properties, then the DRC basis will be based on (b) above i.e. rebuild cost less depreciation.

### Other fixed assets

Other tangible fixed assets are measured at cost less accumulated depreciation. Depreciation is provided evenly basis over the following estimated useful lives.

### 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 and are included in the balance sheet in creditors. If there is no requirement to recycle or repay the grant on disposal of the asset, any unamortised grant remaining within creditors is released and recognised as income in the statement of comprehensive income.

### **Other grants**

Grants received from non-government sources are recognised using the performance model. A grant which does not impose 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 our cash flow statements and future cash projections.

### **Interest payable**

Interest costs are capitalised on borrowing to finance the development of qualifying assets to the extent that it accrues in respect of the period of the development. Other interest payable is 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 the Transform in independently administered funds.

### **Defined benefit pension scheme**

As at year end 31 March 2020, the net defined benefit pension deficit liability was £67,000, which has been included within the provisions for the pension liability in the financial statements.

The current service cost and costs from settlements and curtailments are charged against operating surplus. 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.

### **Value Added Tax**

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

### **Reserves**

The reserves comprise the 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 Reserve Policy is shown in the strategic report.

### Free Reserves

Free Reserves are unrestricted reserves that are currently not invested in the property assets and are freely available to fund charitable activities. As shown in the Statements of Reserves, most of the reserves are invested in property and only £786,000 is considered as free reserves.

### 3. Particulars of turnover, operating expenditure and operating surplus

2020	Note	Turnover	Operating expenditure	Operating surplus (deficit)
		£000s	£000s	£000s
<b>Social housing lettings</b>	4	6,775	(5,344)	1,431
<b>Other social housing activities</b>				
Housing related support income		2,715	(2,938)	(223)
Home based care		1,725	(2,186)	(461)
Charitable donations		166	(153)	13
Other income		67	(51)	16
		<u>11,448</u>	<u>10,672</u>	<u>776</u>

2019	Note	Turnover	Operating expenditure	Operating surplus (deficit)
		£000s	£000s	£000s
<b>Social housing lettings</b>	4	5,625	(4,413)	1,212
<b>Other social housing activities</b>				
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
				<u>1,550</u>

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

	Note	2020	Restated 2019
		£000s	£000s
Rents receivable net of identifiable service charges		4,140	3,857
Charges for housing related support services		994	308
Service charges income		1,439	1,287
Amortised Government grants		202	173
<b>Turnover from social housing lettings</b>	3	<b>6,775</b>	<b>5,625</b>

<b>Operating expenditure:</b>			
Service charge costs		1,299	1,184
Management		903	690
Routine maintenance		738	657
Planned maintenance		371	347
Bad debts		97	64
Property charges – lease/management agreement		540	462
Depreciation of housing properties		798	679
Other costs		598	330
<b>Operating expenditure on social housing lettings</b>		<b>5,344</b>	<b>4,413</b>
<b>Operating surplus on social housing lettings</b>		<b>1,431</b>	<b>1,212</b>
<b>Void losses</b>		<b>(417)</b>	<b>(363)</b>

During the year we have modified the presentation for the above note and thereby adjusted the comparative costs to be consistent with those reported for 2020.

The increases in management costs include the additional costs in providing enhanced housing management services and temporary staff cost increases to maintain some of the 24/7 service standards.

The other costs include increased IT costs relating to upgrading our IT infrastructure, and the increased procurement costs from increased professional fees regarding ongoing loan security valuation, development appraisals and service reviews.

#### 5. Directors and key management personnel salary cost

Executive team covers those shown in page 7. None of the Board members received any salary.

	2020	2019
	£000s	£000s
<b>Aggregate emoluments including pension scheme contributions, payable to:</b>		
Executive Team	380	313
<b>The highest paid Executive Member:</b>		
Emoluments	112	73
Pension contributions	10	5

The Executive team represents the key management personnel under FRS 102 and their aggregate emoluments including employers national insurance contributions were £419,000 (2019 – £347,000).

The Chief Executive was the highest paid Executive member during the year. He was appointed in August 2018 and received emoluments for part of 2018/19 (2019: annualised salary £104,000 including pension contributions). His pension arrangements are similar to those of other colleagues – a money-purchase pension scheme with no additional benefits.

## 6. Employee information

The average number of employees employed (headcount)	2020	Restated 2019
	Number	Number
Housing, care and support staff	166	157
Administration staff	35	29
Maintenance staff	7	7
	<u>208</u>	<u>193</u>

The average number of employees employed (FTEs)	2020	Restated 2019
	Number	Number
Housing, care and support staff	141	133
Administration staff	27	27
Maintenance staff	7	7
	<u>175</u>	<u>167</u>

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

Staff costs for the above persons:	2020	2019
	£000s	£000s
Wages and salaries	4,727	4,244
Social security costs	359	331
Other pension costs	171	146
	<u>5,257</u>	<u>4,721</u>

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

	2020	2019
More than £60,000 but not more than £70,000	1	1
More than £70,000 but not more than £80,000	1	2
More than £120,000 but not more than £130,000	1	-

## 7. Interest receivable

	2020	2019
	£000s	£000s
Interest from bank deposits	<u>10</u>	<u>6</u>

## 8. Interest and financing costs

	2020	2019
	£000s	£000s
Interest payable on bank loans	416	359
Interest capitalised on properties under construction	-	(22)
Net interest expense on SHPS pension scheme	6	3
	<u>422</u>	<u>340</u>

During the year, we have not capitalised any interest. During 2019 interest costs were capitalised 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

	2020	2019
	£000s	£000s
Disposal proceeds and insurance claims	-	1,051
Carrying cost	-	(90)
	<u>-</u>	<u>961</u>

## 10. Surplus for the year

	2020	2019
	£000s	£000s
<b>The operating surplus is arrived at after charging:</b>		
Depreciation of housing properties	798	679
Depreciation of other tangible fixed assets	69	93
Surplus on disposal of property, plant and equipment	-	961
<b>Operating lease rentals:</b>		
Land and buildings	467	460
Other leases	34	32
<b>Auditor's remuneration (excluding VAT):</b>		
Audit fees	19	15
Other services	7	3

## 11. Property, plant and equipment

	Housing properties	Properties under construction	Total housing properties	Furniture and equipment	Total
	£000s	£000s	£000s	£000s	£000s
<b>Cost</b>					
At 1 April 2019	51,045	568	51,613	911	52,524
Additions	683	228	911	371	1,282
Works to existing properties	386	-	386	-	386
Completions	773	(773)	-	-	-
Disposals	(63)	-	(63)	(362)	(425)
<b>At 31 March 2020</b>	<b>52,824</b>	<b>23</b>	<b>52,847</b>	<b>920</b>	<b>53,767</b>
<b>Depreciation</b>					
At 1 April 2019	6,278	-	6,278	701	6,979
Charges for the period	798	-	798	69	867
Disposals	(63)	-	(63)	(362)	(425)
<b>At 31 March 2020</b>	<b>7,013</b>	<b>-</b>	<b>7,013</b>	<b>408</b>	<b>7,421</b>
<b>Net book value</b>					
<b>At 31 March 2020</b>	<b>45,811</b>	<b>23</b>	<b>45,834</b>	<b>512</b>	<b>46,346</b>
<b>At 31 March 2019</b>	<b>44,767</b>	<b>568</b>	<b>45,335</b>	<b>210</b>	<b>45,545</b>

The works to existing properties £386,000 (2019: £1,376,000) includes £61,000 (2019: £47,000) on fire safety improvement works and component replacements during the year of £325,000 (2019: 402,000).

The additions to property assets of £911,000 (2019: £2.89 million) include acquisition of two properties for £683,000 (2019: four properties for £2.3 million) and the cost of repair works £228,000 (2019: £568,000) for the two damaged properties (one fire, one water) from last year.

The additions to other fixed assets of £371,000 (2019: £61,000) includes £158,000 (2019: £nil) of IT software costs on Cascade and Care planner and both have not yet been fully implemented and also head office refurbishment costs of £84,000 (2019: £nil)

### Housing properties book value, net of depreciation, comprises:

	2020	2019
	£000s	£000s
Freehold land and buildings	40,126	39,506
Long leasehold land and buildings	4,072	4,112
Short leasehold land and buildings	1,636	1,717
	<b>45,834</b>	<b>45,335</b>

## 12. Debtors

	2020	2019
	£000s	£000s
<b>Due within one year</b>		
Rent and service charges receivable	410	324
Less: provision for bad and doubtful debts	(241)	(189)
	169	135
Trade debtors	507	396
Other debtors	128	160
Prepayments and accrued income	290	208
	<u>1,094</u>	<u>899</u>

## 13. Cash and cash equivalents

	2020	2019
	£000s	£000s
Cash in bank and in hand	<u>1,607</u>	<u>1,791</u>

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

## 14. Creditors: amounts falling due within one year

	Note	2020	2019
		£000s	£000s
Housing loans	17	270	270
Deferred grant income	16	202	202
Trade creditors		403	682
Loan interest due		141	77
Rent and service charges received in advance		57	68
Recycled capital grant fund	18	117	-
Capital accruals and retentions		19	35
Other creditors		553	407
Other taxation and social security		120	114
Other accruals and deferred income		152	73
		<u>2,034</u>	<u>1,928</u>

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

	Note	2020	2019
		£000s	£000s
Housing loans	17	12,416	11,807
Deferred grant income	16	11,794	11,956
Recycled capital grant fund	18	50	166
		<u>24,260</u>	<u>23,929</u>

## 16. Deferred grant income

	2020	2019
	£000s	£000s
Balance at 1 April	12,158	11,927
Grant received in the year	40	442
Grant transferred to Recycled capital grant fund	-	(38)
Released to Statement of Comprehensive Income	(202)	(173)
<b>Balance at 31 March 2020</b>	<b>11,996</b>	<b>12,158</b>

<b>Deferred income to be released to the Statement of Comprehensive Income</b>		
Amount to be released in <b>less than one year</b>	202	202
Amount to be released in <b>more than one year</b>	11,794	11,956
	<b>11,996</b>	<b>12,158</b>

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 28.

## 17. Housing loan debt analysis

	2020	2019
	£000s	£000s
Due within <b>one year</b>	270	270
Due after <b>more than one year</b>		
Loan	12,570	11,840
Less: issue costs	(154)	(33)
	<b>12,416</b>	<b>11,807</b>
	<b>12,686</b>	<b>12,077</b>

Part of the existing facility (£7.1 million) with Barclays Bank expires in July 2029. This facility requires an annual repayment of £270,000 increasing to £360,000 from March 2023 and £450,000 from March 2028, with the remainder to be repaid by a bullet payment on maturity in August 2029. There are a number of fixed-rate tranches with differing interest rates ranging from 2.9% to 5.9% with varying maturity dates, after which they revert to variable rates linked to the LIBOR rate.

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.

A new facility of £7.5 million with Unity Trust Bank has been arranged. Loan securitisation is due to be completed in September 2020, when funds can be drawn down. The costs in relation to arranging this facility, and the loan renegotiating costs with Barclays, have been capitalised and will be amortised over the period of the respective loans.

## 18. Recycled capital grant fund – Homes England

	2020	2019
	£000s	£000s
Balance at 1 April	166	116
Grant recycled	-	50
Interest on grant fund	1	-
<b>Balance at 31 March 2020</b>	<b>167</b>	<b>166</b>

	2020	2019
	£000s	£000s
Due within <b>one year</b>	117	-
Due after <b>more than one year</b>	50	166

Of the above liabilities £14,000 (2019: nil) are more than three years old and are to be repaid rather than recycled.

## 19. Provisions for liabilities and charges

	2020	2019
	£000s	£000s
Balance at 1 April	16	16
Movement	44	-
<b>Balance at 31 March 2020</b>	<b>60</b>	<b>16</b>

The above provision is to cover the cost of office dilapidations for the Mill Street and Tern House offices.

## 20. Financial and other commitments

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

	2020	2019
	£000s	£000s
Expenditure contracted for but not provided in the accounts	142	-
Expenditure authorised by the Board but not yet contracted	564	185

### Leasing commitments

The future minimum lease payments are set out below.

	2020	2020	2019	2019
	Property	Others	Property	Others
	£000s	£000s	£000s	£000s
Within one year	453	20	447	31
Between one and five years	974	12	1,010	22
Over five years	1,287	-	1,521	-
<b>At 31 March 2020</b>	<b>2,714</b>	<b>32</b>	<b>2,978</b>	<b>53</b>

## 21. Social housing units

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

	2020	2019
Supported housing units	786	783
Housing for older people units	36	36
Total owned and managed	822	819
Not owned but managed	74	69
	<b>896</b>	<b>888</b>

## 22. Notes to the statement of cash flow

	2020	2019
	£000s	£000s
<b>Surplus for the year</b>	<b>364</b>	<b>1,216</b>

<b>Adjustments for non-cash items</b>		
Surplus on disposal of property, plant and equipment	-	(961)
Depreciation of tangible fixed assets	867	773
Amortisation of loan arrangement fee	18	7
	1,249	1,035

<b>Movements in working capital</b>		
(Increase)/decrease in debtors	(195)	243
(Decrease)/increase in creditors	(59)	404
Increase in provisions	50	-
	1,045	1,682

<b>Adjustments for investing or financing activities</b>		
Government grants amortised in the year	(202)	(173)
Arrangement fee for new loan facility	(138)	(25)
Pension costs less contributions	(40)	(41)
Interest payable	422	340
Interest received	(10)	(6)
<b>Net cash generated from operating activities</b>	<b>1,077</b>	<b>1,777</b>

## 23. Analysis of changes in net debt

	At 1 April 2019	Cash flow	Non-cash changes	Total
	£000s	£000s	£000s	£000s
<b>Housing loans</b>				
Due in less than one year	270	(270)	270	270
Due after more than one year	11,807	1,000	(391)	12,416
	<b>12,077</b>	<b>730</b>	<b>(121)</b>	<b>12,686</b>
Cash at bank and in hand	(1,791)	184	-	(1,607)
<b>At 31 March 2020</b>	<b>10,286</b>	<b>914</b>	<b>(121)</b>	<b>11,079</b>

## 24. Social Housing Pension Scheme

Transform participates in SHPS, a multi-employer pension scheme which provides benefits to non-associated participating employers. The scheme is classed as a defined benefits scheme in the UK. The scheme is classed as a 'last man standing' arrangement. Therefore, the association is potentially liable for other participating employers' obligation 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.

On 1 April 2018, sufficient information became available for Transform to enable us to account for SHPS on a defined benefit basis. This change on transition resulted in re-measurement difference of £596,000, which was recognised at the relevant date of application, on 1 April 2018, in other comprehensive income, was therefore reflected in the year ended 31 March 2019.

The most recent formal actuarial valuation was completed as at 30 September 2017 and rolled forward, allowing for the different financial assumptions required under FRS 102, to 31 March 2020 by a qualified independent actuary.

The net defined benefit liability at the year ended 31 March 2020 is £67,000 (2019: £317,000).

### Present value of defined benefit obligation

	31 March 2020	31 March 2019
	£000s	£000s
Fair value of plan assets	1,120	1,111
Present value of the scheme liabilities	1,187	1,428
Deficit in plan	(67)	(317)
<b>Defined benefit liabilities to be recognised</b>	<b>(67)</b>	<b>(317)</b>

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

	2020	2019
	£000s	£000s
<b>Opening Scheme liability</b>	<b>1,428</b>	<b>1,316</b>
Expenses	3	3
Interest expense	27	32
Actuarial (gains)/losses	(211)	145
Net benefits paid	(60)	(68)
<b>Closing scheme liability</b>	<b>1,187</b>	<b>1,428</b>

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

	2020	2019
	£000s	£000s
<b>Opening fair value of the plan assets</b>	1,111	1,102
Interest income	21	27
Return on plan assets	6	9
Contributions by the employer	42	41
Benefits paid	(60)	(68)
<b>Fair value of assets</b>	1,120	1,111

## Amounts recognised in the surplus

	2020	2019
	£000s	£000s
Amounts charged to operating costs	3	3
Amounts charged to interest costs	6	5
<b>Total charge for the year</b>	9	8

## Amounts recognised in the comprehensive income

	2020	2019
	£000s	£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)
Actuarial gain (loss) during the year	250	-
<b>Total actuarial gain or loss for the year</b>	250	596

## Defined benefits costs recognised in the other comprehensive income

	2020	2019
	£000s	£000s
Experience to plan assets (excluding amounts included in net interest cost) – gain (loss)	6	9
Experience gains and losses arising on plan liabilities – gain (loss)	19	(15)
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation – gain (loss)	13	(5)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligations – gain (loss)	179	(125)
Total actuarial gains or losses (before restriction due to some of the surplus not being recognisable) – gain (loss)	217	(136)
<b>Total amount recognised in other comprehensive income – gain (loss)</b>	217	(136)

## Principal actuarial assumptions: Financial assumptions

	31 March 2020	31 March 2019
	% per Annum	% per Annum
Discount rate	2.42	1.91
Future salary increase	2.71	3.3
Inflation (RPI)	2.71	3.3
Inflation (CPI)	1.71	2.3

## Mortality assumptions

	31 March 2020	31 March 2019
	Life expectancy at age of 65 years	
Male retiring in 2020	21.5	21.8
Female retiring in 2020	23.3	23.5
Male retiring in 2040	22.9	23.2
Female retiring in 2040	24.5	24.7

## Analysis of pension scheme assets

	31 March 2020	31 March 2019
	£000s	£000s
Global equity	164	187
Absolute return	58	96
Distressed opportunities	22	20
Credit relative values	31	20
Alternative risk premia	78	64
Fund of hedge funds	1	5
Emerging markets debts	34	38
Risk sharing	38	34
Insurance linked securities	34	32
Property	25	25
Infrastructure	83	58
Private debt	23	15
Corporate bond fund	64	52
Long lease property	19	16
Secured income	42	40
Liability driven investments	372	407
Net current assets	5	2
Opportunistic illiquid credit	27	-
	<b>1,120</b>	<b>1,111</b>

## 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.

	2020	2019
	£000s	£000s
<b>Fundraising cash generated</b>		
Fundraising cash	166	146
<b>Fundraising costs</b>		
Salary costs	106	122
Other costs	47	22
	153	144
Net fundraising contributions	13	2
<b>Return on investment (ROI)</b>	<b>1.1</b>	<b>1.0</b>
<b>Fundraising cost ratio</b>	<b>92%</b>	<b>99%</b>
<b>Allocation of funds</b>		
<b>Capital projects</b>		
Wallington, Sutton	-	1
Woking, Surrey	19	-
Runnymede temporary accommodation, Surrey	-	5
Future generations	8	8
Move on Grants, Sutton	41	-
Farnham, Surrey	-	5
Reigate, Surrey	3	-
Redhill, Surrey	3	-
Spelthorne, Surrey	17	16
Building Chances campaign	-	8
	91	43
<b>Revenue projects</b>		
For specific client groups/projects	75	66
Winter Shelter project	-	-
	75	66
Restricted funds allocated	166	108
Unrestricted funds allocated	-	-
Gifts in kind	-	38
<b>Total fundraising cash allocation</b>	<b>166</b>	<b>146</b>

## 26. Share capital

Transform is limited by guarantee and 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	2020	2019
	No	No
<b>At 1 April</b>	23	26
Joining during the year	2	-
Leaving during the year	(1)	(3)
<b>At 31 March 2020</b>	<u>24</u>	<u>23</u>

## 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 we do not have any transactions that require disclosure.

## 28. Government grants

Government grants are Social Housing Grants and other grants received to enable us to acquire properties for social housing use. Should the properties to which the grants relate ceases to be used for social housing, the grants may be repayable in full.

Total grants received:	2020	2019
	£000s	£000s
Grants credited to the income statement or arising on merger/acquisition	9,321	9,119
Deferred grants (note 16)	11,996	12,158
	<u>21,317</u>	<u>21,277</u>

## 29. Taxation status

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

## 30. Post year-end events

During the year merger discussions with Reigate Quaker Housing Association (RQHA) were well advanced, with both Boards and the RQHA shareholders having approved the merger. In April 2020 we applied to the FCA for the transfer and obtained the necessary consent on 15 May 2020 (merger date). We have notified the Regulator of Social Housing (RSH) accordingly. The intended merger is achieved through a process of transfer of engagement on that date. Our pre-merger financial due diligence has shown that Transform will gain approximately £3 million of RQHA's net assets through this merger.

## 31. Covid-19 and impact on financial forecasts

The Board has reviewed our updated medium-term (five-year) forecast, showing our financial viability in the post-Covid environment. This is also discussed in our Strategic Report under the Covid-19 pandemic risk section on page 35. Due to the needs of the client groups we serve, our services will need to continue in the event of any second wave of Covid infections. Therefore, we expect that a high proportion of our income is secured and will not be materially affected by Covid.

- **Housing income** –this represents 60% of our total income and includes rental and service charge income from our properties. This income stream is expected to grow by 30% in the next five years, incorporating our development aspirations.
- **Support income** – this represents around 24% and is generally received through block contracts from Surrey and Wokingham Councils. This is considered as secure income and is not expected to be affected by Covid. The support income is expected to grow by 40% in the next five years.
- **Care income** – this represents around 15% of our income and is received through delivering care calls. We expect that a high proportion of these care calls will be delivered despite Covid.

We have built-in adequate provisions to cover operating cost increases on care and support contracts in an uncertain environment and sufficient contingencies to meet any operational challenges in maintaining an uninterrupted quality service, especially in the case of 24/7 services.

The Board is satisfied that our latest forecast shows a financially viable position for Transform and it comfortably meets lenders loan covenant requirements during this period. The plan covers various sensitivities and stress testing. Our stress testing considered a perfect storm scenario and reviewed our recovery plans.

Our Financial review in page 21 summarises Transform's financial resilience.

The Board can confirm that Transform has a strong financial resilience to weather the storm in the medium-term.



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

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