



Financial statements 31 March 2022



Company Secretary

Ratna Sukumaran
(to 24 February 2022)

Mandy Arnold
(from 25 February 2022)

Registered office

Transform Housing & Support
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Leatherhead
Surrey, KT22 7NA

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Registrations

Registered charity: 264133

Company limited by guarantee registered in
England and Wales: 01057984

Registered provider of social housing: H2452

CQC registered: 1-2756361790
(de-registered May 2021)

Auditor

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(formerly Nexia Smith & Williamson)
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Guildford
Surrey GU1 4TZ

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Contents

1	About Transform Housing & Support
3	Highlights, facts and figures 2021/22
4	What clients say
5	Transform's Chair reflects on 2021/22
7	Strategic report
8	Key strategic achievements – 2021/22
9	Client engagement and feedback
13	Transforming a life – Hilary's story
15	Financial performance
17	Asset management, maintenance and repairs
18	Sustainability
19	Health and safety
20	Colleague wellbeing
21	Equality, diversity and inclusion
22	Future plans – strategic objectives 2021-24
23	Value for money
24	Our approach
29	Risk management
30	Principal risks and uncertainties
35	Governance, regulation and compliance
36	Governance
40	Regulation and compliance
43	Auditor's report and financial statements
44	Auditor's report
48	Financial statements and notes to the accounts

“

The keyworkers
have been absolutely
perfect. I've had
nothing but help and
love from them.

”

Transform client

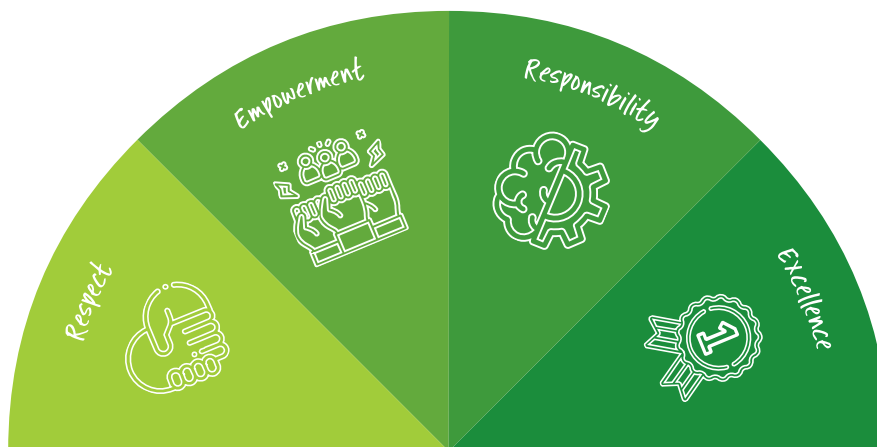
About Transform Housing & Support

Our purpose

As a social housing provider, Transform supports more than 1,800 people each year to grow their skills, gain independence and achieve their goals. Established in 1972, we cover Surrey, parts of south-west London, Berkshire and West Sussex. During the past 50 years we have supported more than 30,000 clients.

Our vision and values

Transform has ambitious plans and we intend to continue to strengthen our activity and grow to support more clients in the future. Our services are needed now more than ever as Covid has exacerbated the adversities already faced by many people. These include insecure housing, poverty, discrimination, stigma, exclusion and inequality. As well as providing homes for individuals, we aim to empower them to live happier, healthier and more fulfilling lives. Our ultimate vision is to work with partners towards eradicating homelessness.



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(From May 2022)

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Greg Melly

Lesley Myles MBE JP DL MA

Kim Rippett

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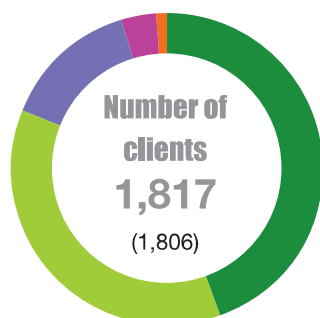
Paul Wates FRICS

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Malcolm Young FRICS

Highlights, facts and figures 2021/22

Previous year's figures in brackets



Housing and support	810 (796)
Floating support ¹	665 (391)
Housing management only	258 (305)
Sheltered housing	68 (73)
Cabins	16 (26)
Homecare (sold 28 February 2021)	0 (180)
Extra care (sold 28 February 2021)	0 (35)

Units of accommodation

935
(965)



Financial performance

Underlying operating margin.

2.4%
(7.2%²)



1. Floating support
2. Figure restated for 2021 from 8.6%
(see page 72 for details)

Client outcomes

89%

of the 440 clients who moved on did so in a positive, planned way (86%)



Client satisfaction

A new client satisfaction survey methodology was introduced this year. See page 10 for further details.

83.7%

average overall satisfaction score



8.8/10

average score for ease of dealing with Transform

8.7/10

average score on clients' trust in Transform



Transform people

137

Average number of colleagues (headcount) (195 – reduction due to sale of care services)



Colleague satisfaction

Our colleague wellbeing survey found:

90%

of Transform colleagues say their work has brought them joy



74%

say they can influence decisions that are important in their work

81%

feel encouraged to talk to their line manager about their own personal mental health



What clients say

“
Whenever I speak
to someone at
Transform I feel
listened to.
”

Transform client

“
The support
provided has been
outstanding.
”

Transform client

“
They understand
my needs
and are very
compassionate.
”

Transform client

“
I have somewhere
safe to live which
helps me
stay sober.
”

Transform client

“
I have reasons to
laugh and smile - I
didn't think that
would happen for a
very long time.
”

Transform client

“
My keyworker
treats my issues
with compassion,
understanding and
confidentiality.
”

Transform client

“
No one's perfect
but Transform
comes pretty
close.
”

Transform client

“
I admire how
Transform has
weathered the
Covid storm of
recent times.
”

Transform client

“
Transform is
not just a name
or word - it has
transformed
my life.
”

Transform client

“
Transform
literally saved
my life. I will be
forever grateful.
”

Transform client

“
In Transform
support I found
hope and a new
way of life.
”

Transform client

“
Transform has
always been there
for me whenever I've
had a problem, they
have never let
me down.
”

Transform client

Transform's Chair reflects on 2021/22

Summary

This year has seen Transform sail out of the choppy Covid waters of the past two years and, as we are about to enter our sixth decade of transforming lives – steer purposefully towards the future.

The pandemic has certainly changed how we use technology, our working patterns and health and safety procedures. What it has not affected however, is Transform's fundamental purpose. First established in 1972, we provide exemplary support for clients enabling them to turn their lives around and achieve their ambitions. This year, we supported 1,817 people to do just that.

While navigating the 'new normal', Transform made several stops on the way towards our 50th anniversary destination. We started the year by merging with a small housing association in Guildford. Later, we saw development of our Housing First services, won new service contracts and were successful in renewing existing contracts.

Other highlights during the year include being shortlisted for a 2021 UK Housing Award in the 'Best Supported Housing Landlord' category, creating our new Client engagement strategy and receiving funding to help provide additional wellbeing support for colleagues. In the autumn, we held a conference bringing colleagues together for the first time since Covid and hosted a visit from our royal patron, HRH The Countess of Wessex. The New Year 2022 saw us reflecting on the impact Transform has had since it launched as we began a year of celebrating 50 years of Transform.

Living with Covid

As the UK came out of lockdown, Transform continued to keep a tight focus on the health, safety and wellbeing of clients and colleagues.

Covid has taught us valuable lessons about the importance of having plans in place to identify and effectively handle any risks. It has underlined the importance of empowering staff to be inventive in changing their response to any potential crisis.

Colleague wellbeing

At the same time as Covid restrictions were loosened, the cost of living, including fuel and energy, began to rise dramatically. We are acutely aware of the impact this has had on the financial and mental wellbeing of teams, as well as clients.

As Trustees we have been impressed by the dedication and loyalty shown by all our colleagues, even when coping with their own setbacks. The Board has a strong commitment to do everything we can to support them and we received a boost for this activity when the Community Foundation for Surrey awarded us a grant to appoint a Wellbeing Lead to build on and expand our colleague wellbeing programme. A wellbeing review was carried out and a plan is being developed.

Leadership development

To help strengthen levels of colleague engagement and development, we rolled out a well-received, nine-month bespoke leadership development programme for all managers and senior leaders.

Keeping current

We have been reminded several times recently of the importance of keeping up to date with, or even ahead of, the regulatory requirements for our sector. For example, we have monitored very carefully the new requirements prompted by the Grenfell Tower disaster to ensure we meet the more stringent standards which has required significant investment. In common with others, we have had some challenges with interpreting and applying the complex calculations

involved in compliance with the rent standard particularly on properties that became part of our portfolio through merger or acquisition. We are taking an in-depth look at our whole property portfolio and will need to reshape it to meet the needs of a more sustainable future.

Guildford footprint increased

On 1 April 2021, Transform merged with Guildford-based Wey Valley Housing Association (WVHA). The merger involved the transfer of two properties and two members of staff to Transform. WVHA had been supporting 11 residents who had, or were recovering from, long-term mental health issues. We were pleased to be able to provide security for these clients as well as to slightly extend our mental health support provision in Guildford. We continue to look for further suitable opportunities for expansion.

Business development

Thanks in large part to support from local boroughs, districts and Homes England, we have been able to develop and grow our Housing First services. These are critical in addressing the complex reasons for homelessness. Homes England also provided funding for us to acquire an additional move-on property in Elmbridge. Transform successfully re-tendered and expanded the Surrey County Council Young People's Accommodation and Support contract and Crawley Borough Council's Temporary Housing Support contract. I would like to warmly thank Surrey County Council, our local authority partners and Homes England for their backing, without which we could not have enabled so many people to gain their independence.

We were also delighted that our bids to the Government's Rough Sleeper Accommodation Programme were successful this year. Over a period,

these will enable us to acquire nine new, one-bedroom flats including support for these clients (we have purchased the first of these this year).

In addition, we secured contracts for the provision of support services to 10 people living in Runnymede and Surrey Heath and have also negotiated for a continuation of a contract with the Office of the Police & Crime Commissioner in Surrey for the continued provision of support for clients with a history of offending.

Investment

During the year, Transform invested £2.8m (2021: £2.6m) in existing and new homes in line with our strategic plans and continued to focus on developing more homes for clients.

A royal visit

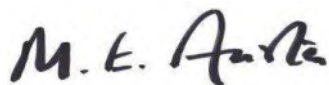
There was much excitement on 18 November when Her Royal Highness The Countess of Wessex paid a visit to our Elmbridge team. The Countess, who has been Transform's Royal Patron for more than 16 years, talked to clients and colleagues while making pizza and playing games. She praised Transform colleagues for their tremendous efforts supporting clients, especially during the Covid pandemic.

Transforming lives for 50 years

January saw the beginning of Transform's 50th anniversary celebrations. In 1972, Surrey Community Development Trust (Transform's original name) was founded to provide accommodation for people with a history of offending, helping them build a life away from crime. An energetic probation officer, Bruce Pearce, became the charity's first director and his team set up hostels in Farnham, Reigate, Epsom, Milford, Guildford and Woking. Five decades on after he founded the organisation, Transform has supported more than 30,000 people across Surrey and surrounding areas. Since January, we have been looking back at individual success stories but also reflecting that sadly, our services are needed as much today as in the early days of the 1970s. We will continue to forge ahead working with our partners in a bid to reduce homelessness and give individuals the support they need.

And finally...

In this, my 5th year as Transform Chair, I have been once again filled with pride at what we have accomplished. I and our Trustees would like to extend a massive 'thank you' both to our colleagues as well as every individual and organisation who has funded and supported us this year – we could not have achieved what we have without you. I am looking forward to being involved in the 50th anniversary celebrations and I am certain that the future will be positive for clients, our great colleagues and Transform.



Mark Austen
Chair
27 July 2022



“
As Trustees we have
been impressed by
the dedication and
loyalty shown by all
our colleagues, even
when coping with their
own setbacks.

”

Mark Austen



Strategic report

Key strategic achievements – 2021/22

Previous year's figures in brackets

Clients

- Provided support for 1,817 people (1,806).
- 89% of clients who moved on from our services did so in a planned way (86%).
- Developed and launched a new, co-produced client engagement strategy.
- Created a new opportunity for people with lived experience to participate in our Client Experience & Impact Committee.
- Received £42,500 from Surrey County Council from the Household Support Fund for clients experiencing financial hardship – 200 applications were approved, and funds distributed.



People

- Rolled out a nine-month Transform-wide leadership development programme for line managers, alongside a senior leadership programme.
- Reviewed activity and broadened membership of the staff forum to give colleagues a stronger voice.
- Secured a Community Foundation for Surrey grant for a Wellbeing Lead, carried out a wellbeing review and created an ambitious action plan.
- Ran a well-received staff conference bringing all staff together for the first time since before Covid.
- Continued to deliver staff recruitment in a very challenging labour market.



Growth and funding

- Merged with WVHA acquiring two new properties and welcoming two colleagues who will continue to support 11 clients with long-term mental health issues.
- Delivered:
 - move-on accommodation with support in two, one-bedroom flats
 - next Steps Programme – four, one-bedroom flats
 - Rough Sleepers Accommodation Programme – purchased one, one-bedroom flat
 - recycled grant from London Borough of Sutton to purchase a one, one-bedroom flat.
- Retained and expanded Surrey County Council Young People's Accommodation and Support contract.
- Successfully retendered the Crawley Borough Council Temporary Housing Support contract.
- Moved to a new office in Reigate.
- Fundraised £142,388 in a challenging post-Covid environment (this includes £42,500 as mentioned earlier from Surrey County Council from the Household Support Fund).



Transform wide

- Shortlisted for a 2021 UK Housing Award in the 'Best Supported Housing Landlord' category.
- Enhanced health and safety procedures and compliance.
- Completed a comprehensive stock condition survey and incorporated resulting actions into our long-term business plan.
- Continued to enhance the IT facilities at Transform including migration to Office 365.
- Created new risk management processes and safe systems of work.



“
I have been very
difficult at times
and they have
always supported me.
I am now in the best
place I've ever been.
”

Transform client

Client engagement and feedback

Client engagement strategy

The main focus of client engagement activity this year has been to research, create and begin to roll out our new Client engagement strategy – which has been co-created with Transform clients.

Purpose of the strategy

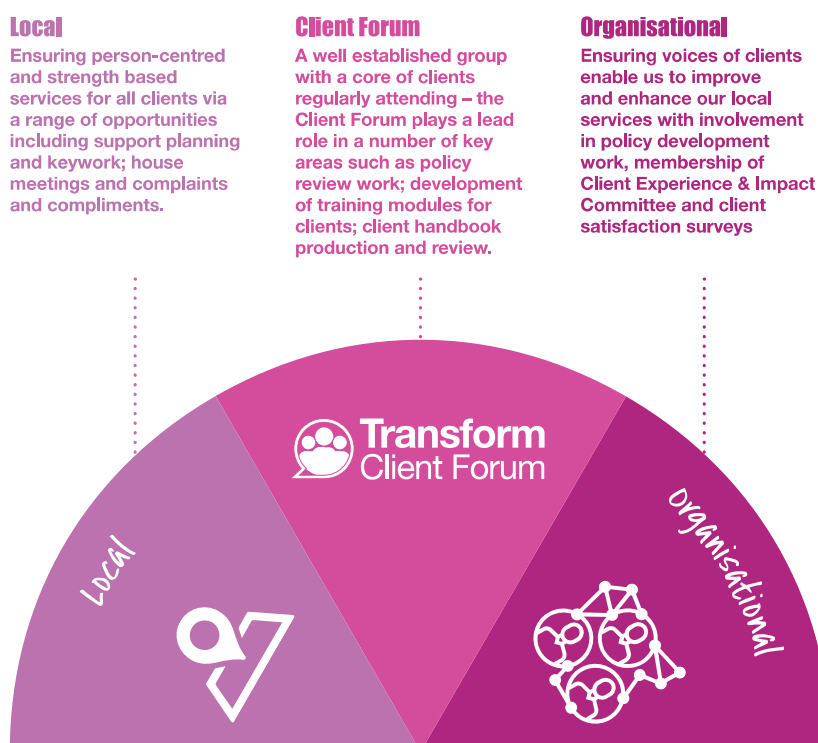
The overarching purpose of our new 2022/24 Client engagement strategy is to:

- positively and effectively engage with clients so their voices influence our decision-making
- enable us to enhance and continually improve our services to make us better and more effective in what we deliver to meet client needs and aspirations
- to satisfy our regulators and commissioners to ensure we deliver best practice in client engagement.

There were three key areas identified in consultation with clients, these fit under Transform's corporate strategic priority relating to client experience. It states that we will 'improve, innovate, and develop housing and support services, increase the volume and diversity of client engagement, use technology wherever it can add value and consistently maintain property assets to a high standard.'

In the strategy we detail best practice and our regulatory requirements in relation to client engagement. We have added the new tenant satisfaction measures being introduced by the Regulator of Social Housing (RSH) in April 2023. These are a range of key performance indicators (KPIs) which will form part of our own two-year action plan.

Client engagement strategy summary



Lived experience engagement

We recognise that people with lived experience can provide invaluable insight into how our activity impacts them and also how new services could affect future clients.

To this end, we developed a way for current and/or former clients to be involved in Transform's strategic planning which would enable current or former Transform clients to participate in our Client Experience & Impact Committee. In April 2022 two people (one current and one former client) took up this opportunity. We will review how this works so we can ensure it is beneficial both for clients and Transform.

Feedback – client satisfaction

As part of our commitment to continually improve the service we provide to clients, we reviewed how Transform has been obtaining client satisfaction feedback. This exercise was carried out to provide greater insight into the things that matter most to clients and enable us to best meet their needs and aspirations.

We took the decision to trial a more comprehensive survey and partnered with The Leadership Factor Research (TLF). TLF carried out in-depth interviews with a selection of clients to ascertain what they felt was important to clients. TLF then designed and delivered a new satisfaction survey in line with this feedback.

Research methods

The research was conducted between January and March 2022 using a two-phased approach:

1. Qualitative to 'explore and understand'

- Overall objective – to understand what was important to clients and to use this information to develop the main survey design.
- In-depth telephone interviews with a selection of clients.

2. Quantitative 'measure and track':

- A web-based survey delivered by email and text message.
- 134 surveys were completed.
- The survey was designed to reveal what is most important to clients.
- It also pinpointed what clients are most/least satisfied with in terms of meeting their needs.
- The findings helped identify Transform's priorities for improvement.



TLF are leading UK specialists in customer experience measurement and research, with a proven track record of improving organisations' customer satisfaction and loyalty.



Key findings summary

Client satisfaction index

The survey identified an 83.7% average overall satisfaction score. Nearly two thirds of respondents scored Transform either 9 or 10 out of 10 for overall satisfaction – this puts us in the top quartile when benchmarked against other housing associations surveyed by TLF.

Ease of dealing with Transform

Transform achieved an average score of 8.8 out of 10 for how easy we are to deal with – placing us in the top quartile score when benchmarked against other organisations surveyed by TLF.

Trust

In terms of clients' trust in Transform, an 8.7 out of 10 average score was identified with 71.4% of the responders scoring either 9 or 10 out of 10 when asked if they trusted Transform totally (this measure is not benchmarked by TLF).

Client needs (importance)

The most important aspect of Transform's services to clients that the survey identified were:

- safety
- security
- helpfulness

Client needs (satisfaction)

- Clients are most satisfied with the helpfulness of Transform staff.
- Clients are least satisfied with the speed of completing repairs.

Priorities for further improvement:

- safety and security
- effective handling of repairs and issues
- speed of resolution of repairs and issues

Please note that due to the use of a new methodology to compile this year's client satisfaction survey, it is not possible to compare the results from this survey with those from previous years.

“
Thank you for
making me feel so
safe and welcome
in my home and
giving me a second
chance at life.
”

Transform client

Feedback – complaints

Two years ago, the Housing Ombudsman Service published a Complaint Handling Code which set out good practice in how landlords responded to complaints effectively and fairly. The Board approved Transform's updated complaints policy, which is in line with the new requirements. We carry out an annual self-assessment and for 2021/22 we are fully compliant.

As part of our commitment to continual improvement, we value the opportunity to learn from complaints to help us get things right next time.

In addition to resolving the individual complaints, we keep thorough records and take action across our services, where necessary.

This year, we expanded the data we collected to give us a more comprehensive picture and assist us with preventing future complaints. Information compiled now includes:

- the source of the complaint
- the demographics linked to the complainant
- the nature of the complaint
- the support needs of the complainant
- the stage the complaint reached
- whether the complaint was dealt with on time
- the satisfaction of the complainant
- the housing type
- learning points.

In 2021/22, Transform handled a total of 23 formal complaints (2021:18). No complaints were referred to the Housing Ombudsman during the year. This number of reported complaints is approximately in line with the past two years.

Of the 23 complaints recorded, more than half (14) were made by clients, 21 were dealt with at stage one of the complaints process and two were raised to stage two. Among the 23 complainants, 19 were satisfied with the outcome of their complaint and we are liaising with the remaining four.

Similarly, to 2020/21, more than half the complaints related to noise and/or anti-social behaviour. We believe this is due to several reasons including a rise in issues stemming from post-pandemic challenges, the increasing cost of living and other social and economic factors.

Transform is considering all learning points arising from complaints and is working closely with colleagues, clients and community partners to carry out actions to reduce and mitigate future complaints.



Transforming a life: Hilary's story

Before my accident I lived up north. I had a tutoring job, good-ish income, and a couple of horses. I decided to move down to this neck of the woods, sold my house and got this tiny little percentage of an ISA, which was going to be my down payment for a place here. That was until I had a crashing fall off my horse and smashed my leg.

The medical staff fixed the leg fine but didn't accept that I had a complicated autoimmune condition. I've got Addison's Disease, so I need medication to survive general anaesthesia. The staff said they had arranged it, but just as I went under, I heard them say a type of steroid which I know isn't right for Addison's. I went down thinking, "This is how it ends."

After the surgery, I couldn't come to and was desperately trying to claw myself out of unconsciousness. The long and short is that I got really ill. I lost 12 kilos in a week, was evicted from my hospital bed, and told to pay for my own accommodation.

Nobody discussed money with me or anything and I had no idea how much I needed to have in the bank to sustain these living arrangements. I moved from hotel to hotel and ended up in a touring caravan, which cost me £20 a night. By that time, my money had run out. I'd gone from having around £18k in the bank to living out of my overdraft, so I was stuck there. It was a nightmare.

I was confused and living in chaos, not because I'm a chaotic person but because my back was against the wall. The only income I could get was from tutoring, so I was driving around the place while still being ill every other day. Eventually someone put me in touch with Transform and I accessed their drop-in service, where I met my keyworker.


There are times when you think, "I haven't got the energy to do this anymore" and with Addison's, if you haven't got the energy, you just go to sleep and you don't wake up and everybody thinks, "Oh, she died of an Addison's crash." You can manipulate it if you want to and there were times when I honestly got that close, but my keyworker was always popping up and sorting me out.

He helped me apply for housing benefits and I was able to move into a static caravan, which I absolutely love. It's got a little bathroom which is easy to clean, hot water, and a bedroom with a king-size bed. I've even got a washing machine in my shed – I think I actually cried when I got it.

Transform also put me in touch with a charity called The Cowshed, who bought me a second-hand wood burning stove and paid for it to be fitted. With the extra money coming in from the benefits, I'm able to keep the gas on and go online, so I can teach virtually.

Now I feel positive about life; little things come along, and they don't floor me anymore. Recently my car needed to go in for servicing, which cost a fortune. Then the leccy went out, and that with the bill for the car would have absolutely unglued me before. But I was able to take stock and remember that you can't expect things to be perfect – you've got to let them be good enough.

Transform has never made me feel like I was a customer. I'm not treated like a cold thing, an item or a statistic. I'm treated like a real human being and given the confidence to go on, to survive, and to achieve.



“I'm treated like a real human being and given the confidence to go on”

Hilary's keyworker

My initial contact with Hilary was a bit bizarre because we met in the middle of the Coronavirus pandemic, so it wasn't face-to-face. She was very down beaten and had spent four or five years living in a touring caravan in ill-health.

People who live in touring caravans are not allowed to stay in one park for more than 28 days. She was forced to move out and live in a field for a few days before going back to the park so that she wasn't breaking any laws. It was tough and she just didn't know where to turn.

She had previously been misadvised by different services, which meant she never got the support she needed. How she could have been living in that tiny little touring caravan through winters is beyond me – it makes me sad.

Hilary can find it challenging to do things when she's ill or tired, so there was a lot of me ringing her up going, "Come on Hilary, we've got to do this!" We got the housing benefits done in the end and she was able to move into her new place.

Seeing her move in was a stand-out moment for me because I don't think she realised that she was homeless before. She was getting older, and she was homeless, and I don't think she fully took that on board.

Now she's got her allotment, a garden, and a little dog – sounds idyllic to be honest. She's doing a lot of pro bono teaching online in subjects like maths and English, and she's said she'd be happy to do that for some of our clients too. I might just take her up on that offer!



Financial performance

Summary

Despite a number of national and local challenges this year, we have continued to focus on ensuring our financial performance supports the delivery of excellent services to clients. Transform is grateful for the incredible teamwork and commitment of colleagues across the organisation which has led to 83.7% of Transform clients being satisfied with our services.

In common with other UK organisations, Transform's financial performance has been affected during this year by the challenging operating environment and uncertain economy. This impact has been exacerbated by a number of factors. These include increased fire and safety regulatory costs, continued planned investment in asset management and IT infrastructure, along with higher operational staff costs generated by essential Covid-management activities. These factors have increased our overall management and planned maintenance costs for this year.

However, drawing on our strong track record and financial stability, we have successfully navigated these challenges to achieve a turnover of £10.6m (2021: £12.2m²) and operating costs of £10.3m (2021: £11.3m²). This gives us an underlying operating surplus of £255,000 (2021: £880,000²).

Surplus

Transform generated an overall surplus of £662,000 for the year ending 31 March 2022 (2021: £4.1m²). The operating surplus to 31 March 2022 was £1.2m (2021: £4.6m²). These figures included the £684,000 gift from the merger with WVHA and £211,000 from the sale of Transform's Chaldon Road properties.

Last year's overall surplus was £3.4m higher than this year's, mainly due to the merger with Reigate Quaker Housing Association (RQHA) which accounted for £3.6m of the £4.1m overall surplus.

We also generated an additional £98,000 of surplus last year following the strategic decision to sell the care services, which completed on 28 February 2021 (the financial performance of the care services up to the date of sale was shown in last year's accounts as 'discontinued operations').

2. All figures restated, see Note 31 on page 72.

3. SHPS DB liability is the shortfall of the value of the assets in the scheme once the costs of administering it have been taken into account.

Rent and pension adjustments

Following a review of Transform's rent setting approach, errors were identified in the calculation of formula rents, between 2016 and 2022. This affected the rents set for some tenancies during that period. In addition, while carrying out a compliance review of Transform's pension arrangements, we became aware of an error in the way employee pension contributions had been processed resulting in too much tax relief being applied.

As soon as these errors were identified, Transform corrected them and undertook full investigations into how they occurred. We have been working closely with our Board to ensure that the system of management control is appropriate for the needs of the organisation.

Investment in properties

During the year, Transform invested £2.8m (2021: £2.6m) in existing and new homes in line with the organisation's strategic plans and continued focus on developing more homes for clients.

Liabilities and balance sheet

The balance sheet summary broadly shows fixed assets of £52.8m, with eight units of accommodation being added during 2021/22 through acquisition and a further 11 through the merger with WVHA. The total number of units owned by Transform increased from 900 to 905 during 2021/22. However, the overall total of managed units went down. This was because the number of properties we manage but do not own, decreased from 65 to 30 when we handed back the management of an extra care scheme (following the sale of the care services). We also disposed of some properties and converted others into two-bedroom flats.

In addition, the total assets – less current liabilities – was £53.7m, (2021: £52.0m). This comprised of:

- Social Housing Pension Scheme Defined Benefit (SHPS DB) liability³ of £0.2m
- provisions of nil (2021: £0.2m)
- £13.3m (2021: £13.1m) loans
- £13.0m (2021: £12.0m) unamortised grants
- £27.2m (2021: £26.5m) of reserves.

The balance sheet reflects satisfactory performance which meets our loan covenant requirements. The cash balance stands at £2.7m (2021: £2.6m) which provides a substantial buffer to manage short-term cash flow pressures.

Capital structure and treasury

As at March 2022, Transform had a secured loan facility of £20.3m of which £13.8m has been drawn. Based on the current development programme, the remaining loan facility is sufficient to fund future investments for the next couple of years. Of the outstanding loan balance, approximately 83% is now on a fixed-rate basis protecting Transform against increases and fluctuations in interest rates. Our weighted average cost of capital is 2.7% (2021: 2.4%).

Accounting policies

These financial statements have been prepared in accordance with all 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).

Reserve policy

The Board regularly reviews and updates our reserve policy and the reserve balance. At year end this was £27.2m (2021: £26.5m). The merger gift from WVHA increased the reserves.

Transform holds reserves for the following purposes:

- Working capital.
- To mitigate operational risks such as pandemics; staffing shortages; remedial asset management work; property fire damage or contract termination.
- To protect against any income fluctuations which may arise.
- To smooth the financial impact of property transactions.

We hold three types of reserves:

- Restricted reserves – funds received from donors for restricted purposes.
- General reserves – invested in property, generated through normal operations used for asset investment purposes.
- Free reserves – generated from normal operations and invested in future activities benefitting clients.

As of March 2022, our free reserves amounted to circa £984,000, this exceeded our target of £500,000, providing an operational buffer in managing any unexpected operational risks

Going concern

The Board has reviewed our latest financial forecasts incorporating the necessary investment in existing and new stock to meet all our commitments. Trustees are, to the best of their knowledge, satisfied that the covenant compliance will be maintained throughout the period of the plan and have adequately stress-tested this.

After making enquiries, the Board has a reasonable expectation that Transform has adequate resources to continue to operate for at least 12 months from the date of approval of the financial statements. Therefore, the Board believes that Transform is well-placed to manage its risks successfully. For this reason, we continue to adopt the going concern basis in preparing the financial statements.

Fundraising

Through our fundraising we aim to positively change the lives of homeless and vulnerable people. Last year, we generated £142,388 (2021: £110,000) income through fundraising from a range of trusts, foundations, corporates, community organisations and individuals. We have also received many donations in kind during the year including food and clothing. Transform would like to thank all of our donors and volunteers for their continued support.

Asset management, maintenance and repairs

Previous year's figures in brackets

Home improvements

In 2021/22 we spent £2.0m (£2.0m) on maintaining our properties (revenue and capital maintenance) including:

- refurbishing 107 flats prior to occupation by new clients
- refurbishing 109 rooms in shared accommodation prior to occupation by new clients
- replacing and updating 15 bathrooms
- replacing and updating 16 kitchens
- replacing and updating boilers for 36 homes
- replacing entrance doors on 100 flats with new fire doors
- taking over responsibility for delivering grounds maintenance services (previously outsourced to a private contractor).

Responsive repairs

During the year we completed 5,150 responsive repairs (4,030) of which 72% (74%) were delivered by our in-house maintenance team.

Despite the challenges presented by Covid lockdown periods and shortages of some materials, more than 95% (94%) of responsive repairs were completed within target.

Repair type	Target	Completed within target
Emergency – within 24 hours	100%	96% (94%)
Urgent – within five working days	95%	96% (96%)
Essential – within 20 working days	97%	98% (98%)
Routine – within 30 working days	97%	95% (97%)

Decent Homes Standard

Of our 935 homes, 17 did not comply with the Decent Homes Standard. All 17 are unoccupied and are waiting redevelopment or disposal.

The Decent Homes Standard is a technical standard for public housing introduced by the United Kingdom Government.

Sustainability

Transform is committed to reducing carbon emissions in our offices and clients' homes. We have achieved an average energy efficiency rating at Energy Performance Certificate (EPC) Band C.

To achieve the Government's sustainability targets for social housing, we aim to have all our properties at EPC Band C by 2030 and at net zero carbon by 2050. As well as helping to address climate change and protect the planet, there are significant benefits to clients from living in energy-efficient homes.

These targets require a significant capital commitment both for retrofitting existing properties and for ensuring new developments meet these standards. These commitments are factored into our asset management strategy and long-term business plan.

During the stock condition survey carried out last year, it was noted that:

- 97% of Transform sheltered housing flats are achieving EPC Band C or above
- 32% of properties with multiple occupancy are achieving EPC Band C or above
- 78% of independent living (move-on) properties are achieving EPC Band C or above.

Work has begun to scope out and design our sustainability strategy so it is aligned with the Sustainability Reporting Standard for Social Housing.

Our headline sustainability objectives include:

- Reducing the carbon footprint of housing stock to achieve net zero.
- Reducing our operations' carbon output.
- Prioritising improvements for properties with poor energy efficiency ratings.
- Designing measures and finding the best solutions to improve the thermal performance and energy efficiency of our buildings for the benefit of clients.
- Promoting smart metering and energy saving to reduce consumption.
- Assessing environmental impacts.
- Supporting sustainability awareness and training.



Health and safety

Approach

During the year 2021/22, Transform has been diligent in ensuring that clients have been living in safe homes and that colleagues have been safe at their places of work.

We have aligned our health and safety policy, our statement of intent and our overall approach to safety management to the **Health and Safety Executive's Guidance HSG65 'Managing for Health and Safety'**.

Our aim is to continue to deliver effective health and safety leadership – with Trustees, the Senior Leadership Team and managers – and to then ensure this is being disseminated as a golden thread running through the organisation.

Transform established a dedicated Head of Health & Safety role in support of our commitment to providing healthy living and working environments for clients and colleagues.

Key health and safety actions and achievements during 2021/22

- Delivered improvements and actions recommended in the independent review of Landlord and Occupational Health & Safety commissioned last year by the Executive Team and carried out by Housing Health and Safety Compliance UK.
- Ensured actions arising from fire risk assessments were completed.
- Further strengthened data quality and record keeping.
- Commissioned Rand Associates to undertake a full stock condition survey.
- Delivered and maintained excellent results against key performance indicators on Transform's Health and safety compliance scorecard
- Members of the Executive, Senior Leadership Team and several Trustees attended an Institution of Occupation Safety and Health (IOSH) training course – Leading Safely and IOSH Managing Safely training is being rolled out to other managers across the organisation during 2022.

During 2021/22, there were no breaches of any of our statutory obligations, no fire incidents and no disrepair claims presented or settled. In addition, no enforcement action or notices were served on Transform by the Health & Safety Executive, any environmental health department or fire authority.

Training

Transform has a comprehensive plan for all colleagues which, in addition to role-specific training, also includes mandatory online health and safety training by leading UK experts Workrite.



“
I trust Transform
completely because
they always
do what they say
they will.
”

Transform client

Colleague wellbeing

This year, Transform received a grant from the Community Foundation for Surrey to appoint a Wellbeing Lead to build on and expand our colleague wellbeing programme. Our Health & Wellbeing Group has overseen a staff wellbeing survey. The findings and results from the survey have shaped our Wellbeing action plan.

Resources and training

During the past year, we have continued to develop high-quality wellbeing materials on our staff intranet, Milo, providing more content on physical, mental and financial wellbeing.

Financial wellbeing support is especially important in light of the cost-of-living challenges currently being faced by all UK employees. As part of our commitment to supporting colleagues with managing their personal finances, Transform has developed additional resources and run information sessions.

Colleague wellbeing survey

Purpose

The purpose of the survey was to review wellbeing at Transform, to understand areas of improvement and, ultimately, to shape our future approach and action plan. Our ongoing goal is for Transform to be recognised as a great place to work with colleague wellbeing at the heart of this.

Methods

The survey was carried out using the following methods:

- Virtual roundtable, open discussions with colleagues from all departments of Transform.
- Assessing the current policies, programmes, benefits, Employee Assistance Programme and wellbeing initiatives.
- In-person workshops at the colleague conference in October 2021.
- Individual evaluation by every Transform colleague through a bespoke and inclusive survey.

Findings

What our colleagues say we do well:

- Provide a wealth of high-quality wellbeing resources.
- Colleagues appreciated a wellbeing day.
- 90% of Transform colleagues say their work has brought them joy.
- 74% say they can influence decisions that are important in their work.
- 80% feel their line managers put them first and care about their health and wellbeing.
- 81% feel encouraged to talk to line managers about their own personal mental health.

Areas for improvement:

- Expand the financial wellbeing resources provided for colleagues – especially during a time when economic factors such as higher inflation and fuel prices are increasing the cost of living for staff.
- Provide additional support for mental health and stress.
- Further improve engagement through strengthened staff communications and informing colleagues about the resources available.

Actions arising from the survey:

- Introduce a one-day pro rata wellbeing day per year as a permanent benefit to all colleagues.
- Review and raise the profile and activity of the Health & Wellbeing group with members receiving training to become wellbeing champions and lead/support wellbeing activity.
- Engage line managers in actively encouraging good wellbeing practices.
- Create and roll out a wellbeing calendar highlighting topics/discussions and activities to be covered throughout the year.
- Create and implement a comprehensive wellbeing communications plan.

Key EDI actions during 2021/22

- A new EDI strategy, policy statement and action plan have been developed.
- More comprehensive diversity data has been requested from all colleagues providing insights on all aspects relating to colleagues and Trustees.
- Transform joined the Housing Diversity Network and colleagues have been making good use of the network for training, information and awareness.
- EDI is being systematically integrated within the leadership development programme delivered during 2021/22 and training has been strengthened and expanded.
- EDI principles were integral to the design of the new client engagement strategy.

Equality, diversity and inclusion

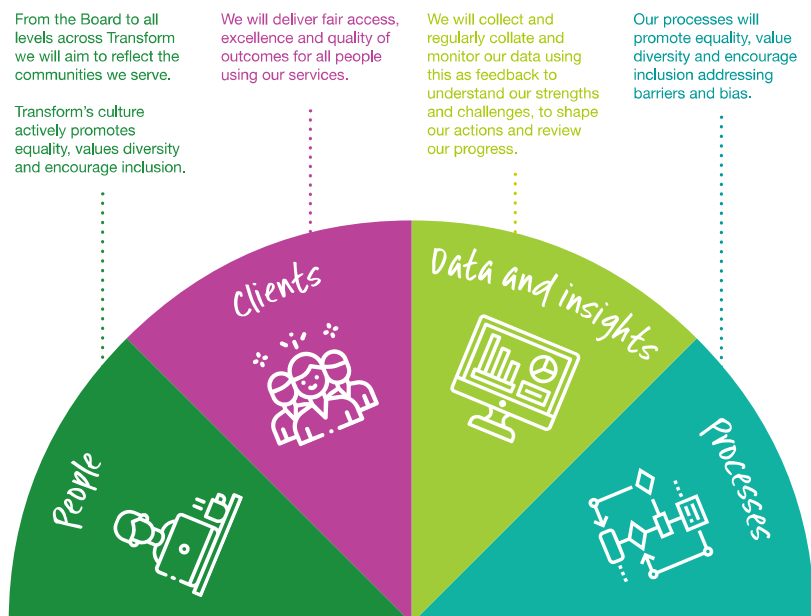
Equality, diversity and inclusion (EDI) are integral to our social values as a supported housing provider, a developer of homes, an employer and a partner. EDI is also central to delivering our purpose of supporting clients to live independently.

We are firmly and genuinely committed to promoting equality and we value the diversity of all individuals and organisations we work with including clients, colleagues and partners. We also know that inclusion is fundamental to the positive delivery of our services to clients both currently and in the future.

We are working determinedly to embed EDI across Transform by focusing on understanding and addressing the needs of all our stakeholders – in particular clients and colleagues – see EDI strategy summary below.

The Board holds overall accountability for EDI at Transform. This includes reviewing our performance against legal and regulatory requirements and ensuring services are accessible and meet individual needs. The Executive Team provides leadership and drives activity forward. All Transform colleagues are responsible for understanding our EDI policy and applying commitments and behaviours during their working hours.

Transform's EDI strategy summary



Future plans - strategic objectives 2021-24

Further build colleague engagement, embed inspiring leadership approaches that align with outstanding client outcomes and focus on colleague wellbeing and inclusivity.

Use our resources and partnerships to create positive social and environmental impact, including implementing measures to fully understand this impact.

Improve, innovate and develop housing and support services, increase the volume and diversity of client engagement and use technology wherever it can add value. Consistently maintain property assets to a high standard.

Continue to focus on quality and compliance and be proactive in communicating positive outcomes. Increase our reputation by building on relationships with commissioners, trusted partners and other stakeholders.

Invest in new housing supply and ensure all existing assets are fit for purpose, financially viable and relevant. Extend our operating footprint, monitor opportunities for asset investment and possible mergers while ensuring financial sustainability of all services.





Value for money

Our approach

Our value for money (VFM) approach aims to optimise the benefits we derive from our resources in an economic, cost-effective and efficient manner. We aim to achieve 'best value' in all that we do. Providing value for money is integral to delivering on our values and long-term strategic objectives.

The key principle underpinning our VFM approach is to maintain long-term financial viability so we can continue to offer quality services and support clients. The Board reviews our compliance with the Regulator of Social Housing's VFM standard and code of practice.

Best value principles

Underpinning our VFM approach are the four core principles outlined below:

1. Challenge

We aim to improve across all areas of work. Our policies, strategies and services are reviewed and closely monitored by our Trustees, auditors, clients and other key stakeholders.

2. Compare

We compare our performance, statistical data and client satisfaction with other housing associations by carrying out benchmarking activity and learning from our peers in the wider housing network.

3. Consult

We seek the views of the Board, Client forum and colleagues in developing our services and policies to ensure they reflect the needs and aspirations of all Transform stakeholders.

4. Compete

We aim to be comparable or better than leading organisations recognised for providing excellent value for money for their clients. Our key objective is to ensure that our organisation achieves best value from the full range of the services we deliver.



“
Thank you really
isn't enough.

”

Transform client

Value for money objectives

We make strategic decisions that fit with the aims and objectives as outlined in Transform's business plan. Our VFM objectives focus on the following:

Creating a framework to measure best value

- Establishing an action plan to achieve value for money.
- Regularly reporting against the action plan to measure how our commitment to best value has been achieved.

Ensuring financial viability and sustainability

- Implementing financial plans to demonstrate our short, medium and long-term viability.
- Adhering to our procurement policy to ensure best value when tendering and/or purchasing services or contracts.
- Working with contractors to streamline processes, while maintaining quality and cost-efficiencies to achieve best value.

Providing robust management of performance and cost

- Establishing performance systems aligned to the business plan that help us set challenging targets, monitoring scrutiny at all levels and reporting to stakeholders.
- Setting VFM targets in our financial projection plans.
- Ensuring there is analysis and scrutiny of costs across the organisation
- Benchmarking performance in comparison to our peers.

Investing in colleagues

- Ensuring our leadership approach enables colleagues to be as effective as possible within their roles.
- Linking performance objectives to Transform's strategic aims.
- Providing training and development opportunities.

Achieving social value through our work and activities

- Delivering safe and secure homes for clients.
- Helping them to access training, education and volunteering opportunities to gain life skills and improve their wellbeing.
- Providing support and advice to enhance their independence and quality of life.
- Publishing our VFM achievements
- Publishing our VFM achievements on our website, in client communications, in the Financial Statements and Annual Review to demonstrate our commitment to providing value for money services.

Publishing our VFM achievements

- Publishing our VFM achievements on our website, in client communications, in the Financial Statements and Annual Review to demonstrate our commitment to providing value for money services.

Performance

Our performance is measured against our strategic objectives as shown on page 22. Our performance indicators shown below are based on the VFM metrics set out by the RSH. Transform has benchmarked its VFM performance against Acuity Peer Group Benchmark Targets.

The national Smaller Housing Providers' Benchmarking (SPBM) network, facilitated by Acuity in partnership with Housemark. Aimed at housing providers with up to 1,000 homes, the network has 148 members together owning/managing more than 75,000 homes across England. It provides performance and cost benchmarking data for members, enabling them to compare against a peer group of similar organisations.

Transform's performance against these benchmarking medians show that our services are cost-effective and provide good value for money.

Value for money performance metrics	Actual performance		Benchmark performance	Target performance	
	2020/21	2019/20	Acuity peer group median	2020/21	2021/22
Operating margin (overall)	10.9%	38.1%	6.4%	8.4%	7.90%
Operating margin (social housing)	4.6%	14.0%	11.0%	10.1%	18.0%
Interest Cover Ratio (EBITDA MRI)	154%	258%	913%	294%	180.0%
Headline social housing cost per unit	£11,033	£12,584	£14,416	£10,712	£10,183
Gearing	18.1%	18.8%	3.9%	21.8%	26.0%
New supply % (social housing units)	0.7%	8.9%	0.0%	1.9%	1.9%
Reinvestment %	4.6%	4.5%	3.3%	4.5%	5.0%
Return on Capital Employed (ROCE)	2.1%	9.0%	2.9%	1.6%	1.4%
Other metrics					
Occupancy rate	94.00%	93.1%	93.4%	93.5%	94.0%
Rent collected	99.54%	98.9%	97.1%	99.0%	98.5%

Operating margin

An organisation's operating margin demonstrates how profitable it is before exceptional expenses are deducted. In assessing this, Transform's performance should be viewed in the context of the activities we deliver as they provide high social and environmental impact, despite producing low financial margins. This year's overall operating margin was 10.9% compared to 38.1% in 2020/21, primarily due to the RQHA merger gift which contributed to last year's higher operating margin.

This margin has decreased significantly due to several factors including the higher operational staff costs generated by essential Covid-management activities, increased fire and safety regulatory costs and continued planned investment in asset management and IT infrastructure.



“
Whenever I have a
problem or I feel
insecure I know
that Transform
support is only a
phone call away.
”

Transform client

Interest cover ratio (EBITDA MRI)

The interest cover ratio (EBITDA MRI – Earnings Before Interest, Tax, Depreciation, Amortisation, Major Repairs Included) is a key indicator for liquidity and investment capacity. It seeks to measure the level of surplus that a registered provider generates compared to interest payable; the measure avoids any distortions stemming from the depreciation charge. Our operating margin and interest cover ratio EBITDA MRI have fallen when compared to our 2020/21 results. Despite the decline, it satisfies our loan covenant requirements.

Headline social housing cost per unit

This assesses the total housing cost per unit as defined by the RSH. Headline social housing cost per unit varies due to fluctuations in costs incurred in the delivery of social housing services, the size of the organisation and the number and location of units. The cost per unit decreased by 12% from 2021 to 2022 due to the cost savings from the sale of the care service. At £11,033, the headline social housing cost per unit is 23% lower when compared to our Acuity peer group average for this year.

Gearing ratio

This measures how much of the organisation's assets are made up of debt and the degree of dependence on debt finance. This shows the proportion of borrowings in relation to the size of the asset base. During the year, our asset base increased slightly through the WVHA merger and a number of property acquisitions without a significant increase in loans. We are pleased to report that our gearing at 18% is significantly below our specified loan covenant ratios.

Additional housing units

During this year there were eight new units of accommodation added through acquisition and a further 11 transferred through the WVHA merger. We disposed of two units in line with our strategic goals and in addition, a property with a short lease was returned to the relevant local authority.

Investment

During 2021/22, we invested £2.8m in capital-funded improvements to new and existing homes.

Return on Capital Employed (ROCE)

This metric compares the operating surplus to total assets less current liabilities and is a common measure to assess the efficiency of investment in capital resources. At 2.1% the ROCE figure for 2021/22 is slightly lower when compared to our peer group this year. This is largely attributable to the decline in surplus in 2021/22 compared to the previous year (see details on page 15).

Occupancy rate

The occupancy rates at 94% have improved slightly compared to last year (93.1%). This is very positive bearing in mind the challenges of the last two years due to Covid and the negative impact this has had on referrals and support from other agencies.

Rent collection rate

At 99.5% this is higher than last year (98.9%) and is comparable to the median within the sector. The rent collection rate for this year has been influenced by the effects of the pandemic and the financial challenges faced by clients. We recognise that it will be difficult to maintain or increase this level moving forward given the current operating environment.

Client satisfaction

As part of our commitment to continually improve the service we provide to clients, we use a range of measures to seek feedback from clients including exit interviews, long-term outcome monitoring and client satisfaction surveys.

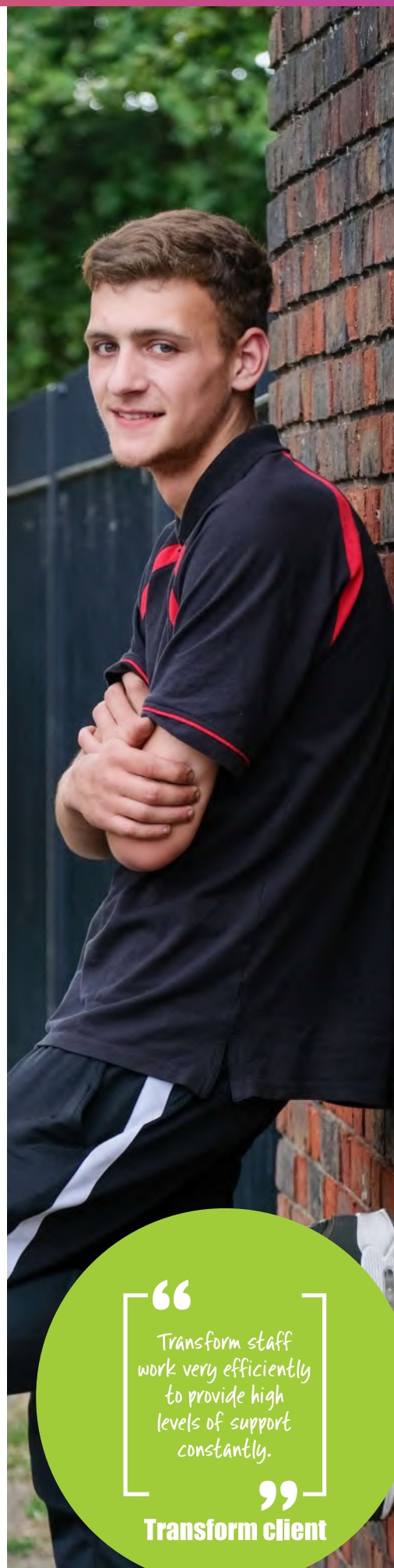
See more information on our new client satisfaction survey this year in the Client Engagement and Feedback section on page 10.

Future improvement plans

Transform is operating in a challenging environment which is being negatively impacted by the wider economic climate and increasing regulatory requirements. To address these challenges, the organisation has set VFM targets which are being regularly monitored. Our strategic plan focuses on continuing to offer exceptional services which respond to the needs of the clients. This includes pursuing an active asset management strategy based on a strategic asset viability assessment and options review.

We aim to develop, implement and closely monitor our VFM performance through:

- improved budgeting and budgetary control
- improved business planning
- improved asset management
- improved procurement and contract management processes
- benchmarking and adopting best practice information via Housemark and Acuity benchmark clubs and connecting with other registered social housing providers.



“
Transform staff
work very efficiently
to provide high
levels of support
constantly.

”

Transform client



Risk management

Principal risks and uncertainties

Risk management

Risk management is fundamental to Transform's operation. We continue to measure risks scrupulously to assess if they will significantly impact on the delivery of our business plan. The Board holds overall accountability for risk management with Trustees regularly reviewing Transform's risk register. The more detailed scrutiny is delegated to the Finance & Audit Committee. The Senior Leadership Team – which includes the Executive Team – has day-to-day oversight for reviewing risk. This activity supports strategic decision-making and ensures that Transform can adapt to changing circumstances.

This year, we have refreshed our risk management framework – which seeks to involve colleagues at all levels in the organisation. Within the framework, risks and opportunities are continuously monitored and evaluated. From this work, policies and procedures are adapted and controls put in place to ensure appropriate action is taken to safeguard clients, colleagues and Transform as a whole. We also ensure that risk informs the business planning process with proactive risk management being used to prepare for the uncertainty in our operating environment.

Transform's key risks

Details of the most significant, highest scoring, risks listed as follows:

Regulatory intervention
Risk
A regulatory notice from the RSH
Details and specific risk mitigations
In January 2022 an error in rent calculations was identified which we felt did not comply with the RSH Rent Standard. We made a voluntary disclosure of potential non-compliance to both the RSH and the Charity Commission. There is a comprehensive action plan in place to rectify this and suitable controls in place to avoid future errors. The Board are also reviewing a 'lessons learned' report. The matter has been reviewed by external consultants Altair and the Board has agreed appropriate rent refunds and compensation for clients and housing benefit offices. This matter is now being reviewed by the RSH and we are awaiting a response.
General controls and mitigations
<ul style="list-style-type: none">■ Delivery of a governance continuous improvement plan.■ Action plan for compliance with the regulatory standards.■ Adequate resourcing of governance activity at Transform.■ Internal audit of regulatory compliance in October 2021.

Effectiveness of financial controls

Risk

Financial policies and procedures that require updating to strengthen controls

Details and specific risk mitigations

Following the errors discovered in our rent and pension calculations, we are reviewing all key financial procedures to ensure they are robust and effective. The review will be led by the Director of Finance, appointed recently following an Executive Team restructure in March 2022.

General controls and mitigations

- A governance framework with clear internal controls and financial regulations.
- A revised budget-setting process and increased scrutiny of management accounts.
- Our housing management/finance system provides automated reporting to ensure accurate accounting.

Data protection and IT security risks

Risk

Threats to our IT and data security

Details and specific risk mitigations

We are keeping pace with developments in cyber-security and data protection. Continued investment in staff resources, monitoring and testing, security systems, training and awareness will continue to ensure we are doing our utmost to safeguard business continuity as well as protecting client, colleague and business data. Our partnership with LIMA means we have an immediate response in place in the event of any network failures.

General controls and mitigations

- A vulnerability assessment service and patch compliance reporting.
- A programme of Data Protection Officer audits.
- Regular data protection and cyber-security training and awareness raising.
- Robust business continuity planning.
- We achieved Cyber Essentials accreditation from the National Cyber-security Centre during the year and application is underway for Cyber Essentials Plus.
- Reasonable assurance of our cyber-security was received from our internal audit in March 2022.

Underfunding of support contracts

Risk

Low-margin supported housing contracts

Details and specific risk mitigations

Supported housing is reliant on local authority contract funding which is often low-margin – i.e. income only marginally covers the cost of providing the support. This means that the financial viability of those contracts is sensitive to fluctuations in income and costs as well as changes in Government policy.

General controls and mitigations

- All new contracts are being tendered on a full-cost recovery basis.
- Financial performance-monitoring of contracts.
- Executive Team approval of the financial viability of new support contracts and renegotiation of existing ones.

Economic risk exposures such as inflation, interest rates and economic downturn

Risk

Macroeconomic activity negatively impacting on clients and colleagues

Details and specific risk mitigations

There is much uncertainty in the UK and global economies as they emerge from the pandemic. Increases in inflation and interest rates are causing operational pressures. The position is further exacerbated by the war in Ukraine and rising energy costs.

General controls and mitigations

- Business plan stress testing with appropriate mitigations identified.
- Executive Team approval of the financial viability of new support contracts and renegotiation of existing ones.
- Contingency budgeting for building contracts to provide for cost increases.

Inability to recruit and retain high-quality staff

Risk

Challenges recruiting staff who meet our role requirements and retention issues post- appointment

Details and specific risk mitigations

The after-effects of the pandemic have resulted in a severe shortage of labour and skills for employers across the UK. Transform has seen 36.5% staff turnover, substantially exceeding our target of under 20%. This presents a challenge for recruitment, selection and retention within a strongly competitive market.

General controls and mitigations

- Increased agility in our recruitment, with a process review in 2022.
- Regular salary and benefit benchmarking to ensure our offer to employees remains competitive and provides flexibility.
- Enhanced marketing through social media, a refreshed website and, improved connectivity between the website and candidate tracking system.

Over-reliance on a single local authority for housing support income

Risk

Surrey County Council contracts represent a significant percentage of Transform's income

Details and specific risk mitigations

We recognise the importance of not placing over-reliance on a single local authority as a source of income. We have diversified and secured existing contracts for £57,000 with Crawley Borough Council and £49,000 per annum with the Office of the Police & Crime Commissioner. We have also seen success in securing the retendered Surrey County Council Contract with increased provision for young people.

General controls and mitigations

- Maintain relationships with local authorities within our area of operation.
- Identify additional sources of support income.
- Executive Team approval of the financial viability of new support contracts and renegotiation of existing ones.

Health and safety

Risk

Non-compliance with statutory health and safety obligations as an employer and as a landlord

Details and specific risk mitigations

We continually review and update policies and procedures to ensure that we meet our obligations regarding landlord and employer health and safety. We carry out health and safety checks of properties and occupational health & safety risk assessments on an ongoing basis, including, gas safety, fire risk, water quality, electrical safety, lift safety and asbestos.

General controls and mitigations

- High-quality recognised training, robust recruitment and contractor vetting processes, specialist roles, effective supervision/oversight and appropriate client/colleague ratios.
- Health and safety scorecard to regularly monitor and actively manage performance.
- We hold insurance at an appropriate level for our business activities.

The Board closely monitors the environment to identify changes in key risks as well as new or emerging ones. This is a key focus of the Finance & Audit Committee which, together with the Board, has overseen the development of the risk register for Transform and will continue to review and scrutinise this during the coming year.

“
I have been a client
for a long time
and have always
been treated with
respect.

”

Transform client

A woman with dark hair tied back, wearing a red leather motorcycle jacket over a grey turtleneck and dark jeans, stands in front of a brick wall and a white-framed window. The image has a green bar at the top.

Governance, regulation and compliance

Governance

Board of Trustees

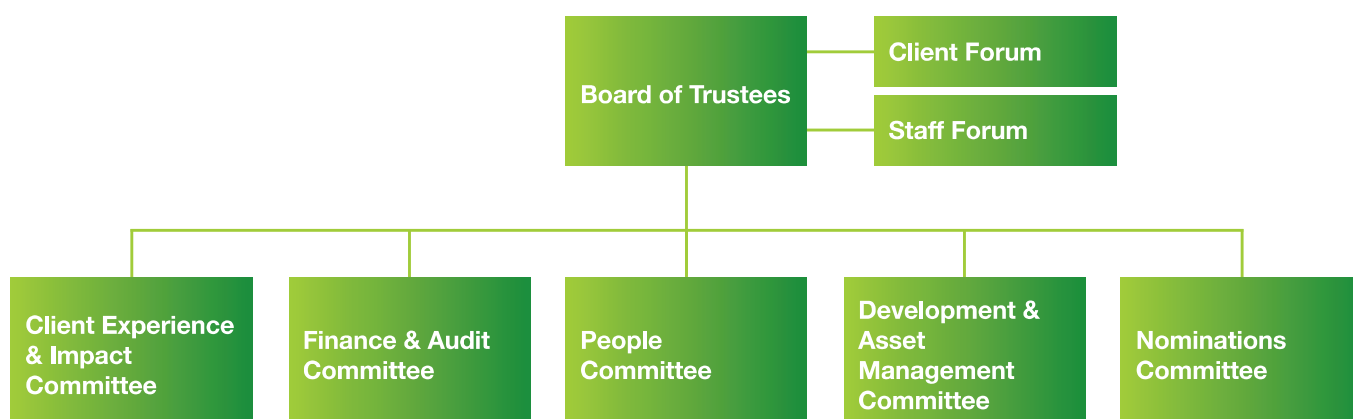
During 2021/22, the Board comprised nine members and was responsible for Transform's strategy, policy framework and managing the affairs of the organisation. The Board members were drawn from a wide background bringing together professional, commercial and local experience.

Trustees are selected by the Nominations Committee following public advertisement for recruitment. During the year we appointed a new Trustee, Natalia Kolotneva, who has brought additional skills in asset management and development, particularly in relation to sustainability and the net zero carbon agenda.

Those Board members who served during the period to 31 March 2022 and Transform's Executive Team are set out on page 2.

Board and committee structure

During the year the Board was supported by several committees, providing detailed scrutiny on its behalf.



“
I've been given a
safe home. What
more could anyone
want?
”

Transform client

Board and committee membership 2021/22

Trustees	Board	Client Experience & Impact Committee	Finance & Audit Committee	People Committee	Development & Asset Management Committee	Nominations Committee
Mark Austen	Chair					Chair
Jane Bolton	Member	Member		Member		Member
Julie Bradley	Member	Member	Member	Chair		
Chris Deacon	Member	Chair	Member			
Natalia Kolotneva (from 14 July 2021)	Member		Member	Member	Member	
Paul Rees	Member		Chair		Member	
Michael Ryan	Member			Member	Member	
Ollie Smedley	Deputy Chair		Member		Member	Member
Katie Wadey	Member	Member			Chair	

Board and committee focus

The Board is responsible for the governance of Transform. Its role is to lead, direct, control, scrutinise and evaluate Transform's work. During the year, the Board considered key issues which included:

- overseeing the completion of the WVHA merger
- approving safeguarding, tenancy fraud, rent/service charge and information security policies
- considering the pension and rent standard errors and overseeing their resolution, ensuring improved controls were in place
- recruiting a new Transform trustee – Natalia Kolotneva
- approving the new Equality, Diversity and Inclusion Policy statement
- appointing a new Company Secretary
- reviewing the terms of reference of the Board and committees
- reviewing, updating and overseeing the implementation of the governance framework
- overseeing the health and safety actions arising from the external review.

The Board delegates specific responsibilities to five committees which each report to the Board where their recommendations are considered and approved.

Please see below key matters discussed and approved at the five committees during 2021/22.

Committee	Key matters 2021/22
Client Experience & Impact	<ul style="list-style-type: none"> ■ Maintained oversight on client services performance. ■ Agreed plans for a new methodology for the client satisfaction survey, focused on the things that matter most to clients. ■ Approved and recommended to the Board a process for individuals with lived experience to participate in this committee. ■ Contributed to developing, and approved, a new client engagement strategy. ■ Approved all client-facing policies following prior consideration at the Client forum. ■ Approved the introduction of a new housing management manual.
Finance & Audit	<ul style="list-style-type: none"> ■ Maintained oversight on financial and risk management. ■ Oversaw internal/external audits and agreed review of the internal audit supplier. ■ Agreed cyber-security improvement plan and approved a GDPR and data protection awareness campaign. ■ Reviewed the business continuity plan and contributed to the governance plan.
People	<ul style="list-style-type: none"> ■ Approved and provided oversight for the new Transform Leadership Programme. ■ Endorsed recommendation to collect diversity information for the Board and more detailed colleague diversity data through annual census. ■ Agreed a review of the Transform pension schemes to maximise the offer for colleagues and equalise life cover. ■ Approved the colleague wellbeing review and action plan including the introduction of a wellbeing day for staff.
Development & Asset Management	<ul style="list-style-type: none"> ■ Maintained oversight of asset management compliance and performance. ■ Approved property investment and disposal decisions. ■ Oversaw health and safety compliance. ■ Approved a proposal for Transform to self-deliver grounds maintenance services. ■ Oversaw the delivery of the stock condition survey.
Nominations	<ul style="list-style-type: none"> ■ Reviewed Board/committee composition. ■ Recommended Board appointments. ■ Reviewed succession planning for Board/Executive Directors.

Board training

An interim development plan was agreed for the Board along with a new induction programme for incoming Trustees. In addition, up to three Transform Trustees participated in each of the following training and development activities:

- IOSH Leading Safety course
- Devonshires' pension seminar
- National Housing Federation:
 - New Board Member Induction
 - Board Succession Planning and Recruitment
 - Diversity on Boards
 - Board Excellence
 - Civil Society – Digital Training for Trustees

Board effectiveness

The Board recognises the importance of monitoring and improving its performance. This is primarily achieved through annual appraisals and self-assessment of the effectiveness of the Board and its committees. An external assessment is scheduled for 2022/23. Trustees are also encouraged to attend events and networking opportunities held by recognised sector bodies such as the National Housing Federation.

Code of governance

Transform adopted the National Housing Federation Code of Governance 2015 for the reporting period. An annual assessment of compliance against the code has been conducted and confirms that Transform complies with all the requirements including:

- constitution and composition of the Board
- essential functions of the Board and Chair
- Board skills, renewal and review
- conduct of Board and committee business
- audit and risk
- the Chief Executive
- conduct of members.

The Head of Governance & Assurance is supporting the Board with a governance improvement plan to enable the adoption of the National Housing Federation Code of Governance 2020 in April 2023.

Governance and Financial Viability Standard

The annual review of compliance against the Regulator of Social Housing's Governance and Financial Viability Standard has been carried out and Transform was compliant with the Standard during the reporting period. A detailed and evidence-based assessment was completed against each requirement and the Board approved this at its meeting on 27 July 2022.

In preparing this strategic report the Board has followed the principles set out in the Statement of Recommended Practice (SORP) for Registered Social Housing Providers 2018.

Regulation and compliance

Public benefit reporting

Transform's aims, objectives and activities demonstrate public benefit as defined by the Charity Commission. The Board ensures that planned activities meet the organisation's objectives. Transform's work supports those on the margins of society to overcome the challenges they face in their lives.

Trustees follow the Charity Commission's public benefit guidance when carrying out their duties. Awareness of the guidance forms part of each Trustee's induction and the Board take this into account when making relevant decisions. There have been no decisions to depart from this guidance during 2021/22.

Fundraising code compliance

To provide reassurance to donors and supporters – and to demonstrate high standards for our fundraising activities – we are registered with the Fundraising Regulator and have adopted the Regulator's Code of Fundraising Practice. This code sets out the responsibilities that apply to fundraising carried out by charitable institutions and third-party fundraisers in the UK. It ensures that our fundraising meets the four standards – legal, open, honest and respectful.

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

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.

The Fundraising Team continually monitors guidance and regulations from the Charity Commission and the Fundraising Regulator, and colleagues are kept abreast of changing regulations through training, one-to-one and team meetings.

We received no complaints relating to fundraising in the year to 31 March 2022.

Regulator of Social Housing

As a small provider, Transform is not subject to regulatory judgement from the Regulator of Social and was not issued with any regulatory notices during this period of accounts.



“
My keyworker
probably saved
my life! Thank
you so much.

”

Transform client

Statement of Board responsibilities

The Board is responsible for preparing the Strategic Report (including the Board Report) and financial statements in accordance with applicable law and regulations. Company law requires the Board to prepare financial statements for each financial year. Under that law the Trustees have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards as reflected in FRS102 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 situation and surplus or deficit of the company for that period.

In preparing these financial statements, the Board is required to:

- select suitable accounting policies and then apply them consistently
- make judgments and accounting estimates that are reasonable and prudent
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice (SORP) Accounting by Registered Social Housing Providers update 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 proper accounting records. Trustees must be able to disclose, with reasonable accuracy, at any time the financial position of the organisation. The Board ensures that the financial statements comply with the Companies Act 2006, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019. It is also responsible for safeguarding the assets of the organisation and for taking reasonable steps for to prevent and detect fraud and other irregularities.

In so far as each member of the Board is aware:

- there is no relevant audit information of which Transform's auditors are unaware
- it has taken all the steps required to be aware of any relevant audit information and that the auditors have all the information they require.

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

Internal control framework

The Board acknowledges its overall responsibility for establishing and maintaining the system of internal controls and for annually reviewing its effectiveness. The system of internal controls is designed to manage, rather than to eliminate, the risk of failure to achieve the business objectives and to provide reasonable assurance against material misstatement or loss.

The process of identifying, evaluating, and managing significant risks facing the organisation is ongoing. It has been in place from 1 April 2021 to the date of Board approval (27 July 2022).

During the 2021/22 year, we pinpointed some internal control weaknesses after identifying errors in our rent calculations and in the way employee pension contributions had been processed. In both instances, following thorough investigations, comprehensive action plans – approved by the Transform Board – were implemented to rectify the errors and suitable controls were put in place to avoid any such future incidents from occurring.

The key elements of the framework include:

Internal audit

The Board delegated responsibility for overseeing the adequacy and effectiveness of the internal control system to the Finance & Audit Committee. The internal auditor reported directly to the committee and a risk-based internal audit plan was prepared and approved. The committee subsequently monitored the programme of internal audits and received assurances to confirm that recommendations had been implemented as agreed. Follow-up internal audit reviews were then undertaken to confirm this.

External audit

Through the audit plan, the work of the external auditors provided assurance detailing the scope of work which is approved by the Finance & Audit Committee, together with the resulting audit report and management letter setting out their findings. Regular meetings are held with the external auditors to provide an update on changes in the business and to discuss strategic and technical matters. This includes a confidential meeting with members of the Finance & Audit Committee without officers present at least once a year.

Performance monitoring framework

Key performance indicators were produced regularly and reported through the Executive Team, committees and the Board. These reports include performance-monitoring of client services, client satisfaction and feedback, colleagues, compliance, asset management, development and financial results.

Anti-fraud

We maintain a fraud register which is inspected by the internal auditors, together with regular updates reporting any such occurrences to the Finance & Audit Committee. During the year 2021/22 there were no such incidents of fraud reported.

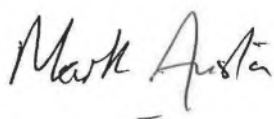
Regulatory reporting

Transform submitted a range of regulatory returns to the RSH and the Charity Commission. The Executive Team ensures that regulatory matters are dealt with promptly and efficiently. It also co-ordinates the self-monitoring system operated by the Board and monitors compliance with the required standards.

External Auditors

External auditors CLA Evelyn Partners Limited (formerly Nexia Smith & Williamson) were re-appointed as external auditor at our Annual General Meeting on 24 September 2021. A resolution for the appointment of external auditors will be proposed at the AGM on 29 September 2022.

By order of The Board.



Mark Austen
Chair
27 July 2022

“
I would just like to
thank Transform's
Farnham team for
not leaving me to
near certain death.
”

Transform client



Auditor's report and financial statements

Auditor's report

CLA Evelyn Partners Limited

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 ended 31 March 2022 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 2022 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

In auditing the financial statements, we have concluded that the Board Members' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Board Members with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the 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) has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Board Members' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Board Members

As explained more fully in the Statement of Board's Responsibilities on page 41, the Board Members who are the directors of the Company for the purposes of company law, 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed on page 46.

We obtained a general understanding of the company's legal and regulatory framework through enquiry of management in respect of their understanding of the relevant laws and regulations. We obtained an understanding of the company's policies and procedures in relation to compliance with relevant laws and regulations. We also drew on our existing understanding of the company's industry and regulation.

We understand that the company complies with the framework through:

- updating operating procedures, manuals and internal controls as legal and regulatory requirements change.
- a programme of internal audit performed by an independent firm of internal auditors.
- independent health and safety reviews across identified compliance areas.
- a risk assessment framework and register that includes regular review and scrutiny by the Finance & Audit Committee.
- an annual assessment of compliance with housing association regulations.
- the Board's close oversight through regular board meetings and compliance reporting.

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

- The requirements of the Companies Act 2006 and the Housing and Regeneration Act 2008 in respect of the preparation and presentation of the financial statements, the Accounting Direction for Private Registered Providers of Social Housing 2019 and FRS 102.
- Safeguarding and health and safety regulations, including building and fire safety.
- Housing association law and regulation.
- Charity law and regulation.

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

- Making enquiries with management and the Finance & Audit Committee as to the risks of non-compliance and any instances thereof
- Reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence between regulators and the company.

The senior statutory auditor led a discussion with senior members of the engagement team regarding the susceptibility of the company's financial statements to material misstatement, including how fraud might occur. The key areas identified as part of the discussion were:

- management override of control
- revenue recognition, specifically the manipulation of revenue through fraudulent journal entries.

These areas were communicated to the other members of the engagement team not present at the discussion.

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

- testing of a sample of manual journal entries, selected through applying specific risk assessments applied based on the company's processes and controls surrounding manual journal entries
- reviewing and challenging estimates made by management
- substantive work on revenue transactions.

The senior statutory auditor was satisfied that the engagement team collectively had the appropriate competence and capabilities to identify or recognise irregularities. In particular, both the senior statutory auditor and the audit manager have a number of years' experience in dealing with organisations with similar risk profiles.

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

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.

CLA Evelyn Partners Limited

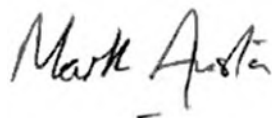
CLA Evelyn Partners Limited (Sep 12, 2022 17:19 GMT+1)

Julie Mutton
Senior Statutory Auditor for and on behalf of CLA Evelyn Partners Limited
Statutory Auditors
Chartered Accountants
Onslow House
Onslow Street
Guildford
Surrey GU1 4TZ

Financial statements and notes to the accounts

Statement of comprehensive income for year ending 31 March 2022

	Note	2022 total £000s	2021 Continuing operations £000s (restated)	2021 Discontinued operations £000s	As restated 2021 total £000s
Turnover	3	10,570	10,403	1,803	12,206
Operating expenditure	3	(10,315)	(9,460)	(1,866)	(11,326)
Underlying operating surplus		255	943	(63)	880
Gain on disposal of housing properties	9	211	100	-	100
Donation of RQHA/WVHA net assets	30	684	3,577	-	3,577
Operating surplus/(deficit)		1,150	4,620	(63)	4,557
Surplus from sale of care services		-	-	98	98
Interest receivable	7	5	3	-	3
Interest and other financing costs	8	(412)	(395)	-	(395)
Surplus for the year		743	4,228	35	4,263
Other comprehensive income					
Actuarial (loss) in respect of pension scheme		(81)	(131)	-	(131)
Total comprehensive income for the year		662	4,097	35	4,132



Mark Austen
Chairman



Paul Rees
Chairman of the
Finance & Audit Committee



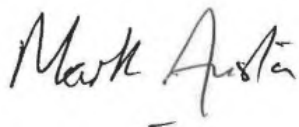
Mandy Arnold
Company Secretary

Statement of financial position as at 31 March 2022

	Note	2022 £000s	Restated 2021 £000s
Fixed assets			
Tangible fixed assets – housing properties and other fixed assets	11	52,817	50,846
Current assets			
Trade and other debtors	12	818	1,459
Cash and cash equivalents	13	2,667	2,556
		3,485	4,015
Creditors: amounts falling due within one year	14	(2,583)	(2,845)
Net current assets		902	1,170
Total assets less current liabilities		53,719	52,016
Less: creditors – amounts falling due after more than one year	15	(26,288)	(25,109)
Pension – defined benefit liability	24	(203)	(159)
Other provisions for liabilities and charges	19	(-)	(182)
Total net assets		<u>27,228</u>	<u>26,566</u>
Capital and reserves			
Restricted reserve		294	237
General reserve – invested in property		25,950	25,260
– free reserve		984	1,069
		<u>27,228</u>	<u>26,566</u>

The accompanying notes form part of these financial statements. The financial statements were issued and approved by the Board on 27 July 2022.

Company number: 01057984



Mark Austen
Chairman



Paul Rees
Chairman of the
Finance & Audit Committee



Mandy Arnold
Company Secretary

Statement of changes in reserves for year ending 31 March 2022

	Restricted reserves	General reserves		Total
		Invested in property	Free reserves	
	£000s	£000s	£000s	£000s
Balance at 1 April 2020				
as originally stated	176	21,664	786	22,626
prior year adjustment as per note 31	-	-	(192)	(192)
as restated	176	21,664	594	22,434
Surplus for the year as restated	-	4,263	-	4,263
Other comprehensive income for the year	-	(131)	-	(131)
Total comprehensive income for the year	-	4,132	-	4,132
Transfer between reserves	61	(536)	475	-
At 31 March 2021	237	25,260	1,069	26,566
Balance at 1 April 2021				
as originally stated	237	25,260	1,447	26,944
prior year adjustment as per note 31	-	-	(378)	(378)
as restated	237	25,260	1,069	26,566
Surplus for the year	-	743	-	743
Other comprehensive income for the year	-	(81)	-	(81)
Total comprehensive income for the year	-	662	-	662
Transfer between reserves	57	28	(85)	-
Balance at 31 March 2022	294	25,950	984	27,228

The accompanying notes form part of these financial statements.

Statement of cash flows for the year ending 31 March 2022

	Note	2022	2021
		£000s	£000s
Net cash generated from operating activities	22	1,598	1,984
Cash flow from investing activities			
Purchase and refurbishment of housing properties		(2,820)	(2,604)
Proceeds from sale of tangible fixed assets	9	298	144
Net proceeds from disposal of care services		-	154
Cash received on merger	30	176	806
Merger expenses	30	(34)	(116)
Grants received		1,112	345
Grants repaid		-	(13)
Interest received		5	3
Net cash used in investing activities		(1,263)	(1,281)
Cash flow from financing activities			
Interest paid		(409)	(428)
Further borrowing		455	944
Repayment of borrowings		(270)	(270)
Net cash used in financing activities		(224)	246
Net change in cash and cash equivalents		111	949
Cash and cash equivalents at:			
Beginning of the year		2,556	1,607
End of the year		2,667	2,556

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 (H2452).
- A registered charity with the Charity Commission (264133).
- Regulated by the Fundraising Regulator – mainly our fundraising activities.
- Registered with the CQC 1-2756361790 (de-registered May 2021).

Principal activity – the provision of housing and support 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 the preceding year.

Basis of accounting

The financial statements have been prepared in accordance with the UK Generally Accepted Accounting Practice (UK GAAP) including the 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 and support services and to improve the wellbeing for vulnerable and socially excluded clients. It is therefore considered as a Public Benefit Entity (PBE), in accordance with FRS 102.

Going concern

In preparing the financial statements, management has assessed Transform's ability to continue as a going concern. This assessment has involved considering 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.

Transform has considered the business activities and current financial position. The factors that are likely to impact our future development are set out in the strategic report. In assessing its future viability, the Board has carried a thorough review of the cash-flow forecast, treasury management policy, compliance with the debt facilities as well as covenants' compliance, liquidity levels and financial plan outputs. In addition, the Board stress tested the operating and financial pressures on the business activities and implemented mitigating factors to protect the financial viability of the organisation. Having evaluated the impact on each business activity, the Board is confident that services are well-managed and continue to make positive contributions to the organisation.

Furthermore, the organisation has adequate long-term debt facilities in place to fund the commitments on strategic investments and development programmes, along with the organisation's day-to-day operations. The organisation's long-term business plan reflects a viable financial position capable of servicing these debt facilities while continuing to comply with lenders' covenants.

A wide range of multivariant stress tests have been run and are regularly monitored through the risk register, these include economic risk exposure from inflation, interest rates and economic downturn. We have also considered the post-Brexit environment including the impact on raising capital, recruitment, staffing costs and stretched supply chains.

Transform has adopted various approaches to mitigate against risks. These include delaying uncommitted non-essential expenditure, implementing efficiencies in our procurement processes and closely monitoring increased regulatory costs (e.g. fire safety costs). The appropriate governance support has been factored in for all scenarios. This stress testing found that the business plan is robust and does not affect the organisation's ability to meet its obligations.

On this basis, the Board has a 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 organisation that have the most significant effect on the amounts recognised in the financial statements.

WVHA merger

During the year we completed the merger with a small Guildford-based provider, WVHA. Both Boards approved the merger in February 2021 and the formal approval from the Financial Conduct Authority (FCA) was obtained in 2020/21. The merger was completed on 1 April 2021, through a Transfer of Engagement, and all assets and liabilities have been transferred to Transform. Management judged the merger date as the date of the transfer and have recognised the value of the donation in the 2021/22 financial statements.

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 review:** we have carried out a review of the triggers for impairment. No areas of impairment were identified.
- **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 organisation'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 (see note 24). The net defined benefit pension liability at 31 March 2022 was £203k.
- **Useful lives of depreciable assets:** if there are any changes in circumstances (e.g. impairment) management reviews its estimate of the useful lives of depreciable assets including any components. Uncertainties in the estimates relate to technological obsolescence. These include the lifespan of certain software and IT equipment and changes to the Decent Homes Standard which may require more frequent replacement of key components. The useful lives of the property assets transferred through the WVHA merger were estimated by the independent valuers (Savills (UK) Limited) and found to be in line with the useful lives of our existing property components. As at 31 March 2022, the carrying amount of the housing properties was £60.4m and accumulated depreciation was £8.5m.

Turnover and revenue recognition

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

Rental and service charge income – this income is in respect of 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 when we become entitled to it 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. This income is recognised on legal completion of the agreement for the transfer of engagement.

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 account.

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

These are properties held for the provision of social housing or otherwise to provide social benefit. They are principally properties available for rent and stated at cost, less accumulated depreciation and impairment losses. Cost includes acquiring the land and buildings, development, and the interest cost capitalised during the development period. Works to existing properties which replace components that have 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 major components of the housing properties, so as to write down the cost of each component to its estimated residual value, on a straight-line basis, over its estimated economic life. No depreciation is charged on freehold land. Leasehold properties are amortised over the life of the lease or their estimated useful economic lives in the business, if shorter. Depreciation is charged on qualifying fixed assets 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
Fire doors	30 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 comprises of one or more buildings in the immediate locality, and each building consists 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 to 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 than (a) fair market value less cost of sale, and (b) its Value In Use Service Potential (VIU-SP).

VIU-SP 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, and (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, when establishing no active market for these properties, then (b) above (i.e. rebuilding costs less depreciation) can be considered as value in use for the properties under DRC basis.

Other fixed assets

These are measured at cost less accumulated depreciation. Depreciation is provided evenly throughout the assets' estimated useful lives.

Government grants

These 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.

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

For the SHPS, the association has been able to identify its share of the scheme assets and scheme liabilities from 1 April 2018 and has applied defined benefit accounting from this date onwards.

The scheme assets are measured at fair value. Scheme liabilities are measured on an actuarial basis using the projected unit credit method and are discounted at appropriate high-quality corporate bond rates. The net surplus or deficit is presented separately from other net assets on the statement of financial position. This has been recognised within the defined benefit pension liability on the face of the Statement of Financial Position.

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 Statement of Comprehensive Income.

Provision for liabilities

Provisions are recognised when the organisation has a present obligation as a result of a past event. It is probable that it 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. Transform's reserve policy is shown in the strategic report on page 16.

Free reserves

Free reserves are unrestricted reserves that are currently not invested in the property assets and are freely available to fund charitable activities.

Reserves that are invested in property are calculated as being the net book value of the properties, less the grants and loans that part fund these assets. The free reserves are the balance of the unrestricted reserves.

3. Particulars of turnover, operating expenditure and operating surplus

2022	Note	Turnover	Operating expenditure	Operating surplus (deficit)
		£000s	£000s	£000s
Continuing operations				
Social housing lettings	4	7,462	(7,121)	341
Other social housing activities				
Housing related support income		2,886	(3,084)	(198)
Charitable donations		142	(78)	64
Other income		80	(32)	48
		10,570	(10,315)	255
Gain on disposal of property, plant and equipment	9			211
Donation of WVHA net assets	30			684
				1,150

2021 (restated)	Note	Turnover	Operating expenditure	Operating surplus (deficit)
		£000s	£000s	£000s
Continuing operations				
Social housing lettings	4	7,287	(6,269)	1,018
Other social housing activities				
Housing related support income		2,910	(3,098)	(188)
Charitable donations		110	(77)	33
Other income		96	(16)	80
		10,403	(9,460)	943
Discontinued				
Other social housing activities				
Home-based care services		1,803	(1,866)	(63)
		12,206	(11,326)	880
Gain on disposal of property, plant and equipment	9			100
Donation of RQHA net assets	30			3,577
				4,557

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

	Note	2022	Restated 2021
		£000s	£000s
Rents receivable net of identifiable service charges		4,443	4,396
Charges for housing related support services		1,027	980
Service charges income		1,779	1,707
Amortised government grants	16	213	204
Turnover from social housing lettings	3	7,462	7,287
Operating expenditure:			
Service charge costs		1,690	1,620
Management		2,099	1,684
Routine maintenance		1,301	1,219
Planned maintenance		558	140
Bad debts		63	118
Property charges – lease/management agreement		431	560
Depreciation of housing properties	11	916	865
Other costs		63	63
Operating expenditure on social housing lettings	3	7,121	6,269
Operating surplus on social housing lettings	3	341	1,018
Void losses		(269)	(286)

5. Directors and key management personnel salary cost

Executive team covers those shown in page 2. None of the Board members received any salary.

	2022	2021
	£000s	£000s
Aggregate emoluments including pension scheme contributions, payable to:		
Executive Team (2022: 6.0 FTEs, 2021: 6.3 FTEs)	502	492
The highest paid Executive Team member:		
Emoluments	113	113
Pension contributions	10	10

The Executive team represents the key management personnel under FRS 102 and their aggregate emoluments including employer's national insurance contributions were £545k (2021: £542k). There were no compensation payments for loss of office to any previous members of the Executive team (2021: nil).

The Chief Executive was the highest paid Executive member during the year. 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)	2022	2021
	Number	Number
Housing, care and support staff	89	149
Administration staff	40	39
Maintenance staff	8	7
	<u>137</u>	<u>195</u>

The average number of employees employed (FTEs)	2022	2021
	Number	Number
Housing, care and support staff	78	127
Administration staff	33	33
Maintenance staff	7	7
	<u>118</u>	<u>167</u>

The number of full-time employees is calculated based on a 39-hour working week. Following the sale of the care services to Apex Prime Care on 28 February 2021, 65 staff were TUPE-transferred.

Staff costs for the above persons:	2022	2021
	£000s	£000s
Wages and salaries	3,792	4,805
Social security costs	327	393
Other pension costs	162	176
	<u>4,281</u>	<u>5,374</u>

The number of full-time equivalent employees who received remuneration (including pension contributions) above £60k (including the Executive team) is shown in the following bands:

The average number of employees employed (headcount)	2022	2021
More than £60,000 but not more than £70,000	2	4
More than £70,000 but not more than £80,000	2	1
More than £100,000 but not more than £110,000	1	-
More than £120,000 but not more than £130,000	1	1

7. Interest receivable

	2022	2021
	£000s	£000s
Interest from bank deposits	5	3

8. Interest and financing costs

	2022	2021
	£000s	£000s
Interest payable on bank loans	409	394
Net interest expense on SHPS pension scheme	3	1
	412	395

9. Surplus on property disposal

	2022	2021
	£000s	£000s
Disposal proceeds	298	144
Carrying cost of the property	(87)	(44)
	211	100

There was no capital grant allocation that requires recycling.

10. Surplus for the year

	2022	2021
	£000s	£000s
The operating surplus is arrived at after charging:		
Depreciation of housing properties	916	865
Depreciation of other tangible fixed assets	206	150
Surplus on disposal of property, plant and equipment	211	100
Operating lease rentals:		
Land and buildings	458	471
Other leases	46	40
Auditor's remuneration (excluding VAT):		
Audit fees	25	27
Other services	3	1

11. Tangible fixed assets – housing properties and other fixed assets

	Housing properties	Properties under construction	Total housing properties	Furniture and equipment	Total
	£000s	£000s	£000s	£000s	£000s
Cost					
At 1 April 2021	57,231	482	57,713	1,467	59,180
Additions	1,893	150	2,043	239	2,282
Transfer of engagement	547	-	547	-	547
Works to existing properties.	350	-	350	-	350
Disposals	(244)	-	(244)	(154)	(398)
At 31 March 2022	59,777	632	60,409	1,552	61,961

Depreciation					
At 1 April 2021	7,785	-	7,785	549	8,334
Charges for the period	916	-	916	206	1,122
Disposals	(158)	-	(158)	(154)	(312)
At 31 March 2022	8,543	-	8,543	601	9,144

Net book value					
At 31 March 2022	51,234	632	51,866	951	52,817
At 31 March 2021	49,446	482	49,928	918	50,846

Works to existing properties £350k (2021: £798k) includes, fire safety improvement works costs of £28k (2021: £550k) and component replacement costs of £322k (2021: 248k).

The additions during the year include:

- Property assets of £1.9m (2021: £1.3m) is the cost of acquisition of eight properties (2021: four properties for £1.3m).
- Other fixed assets of £239k (2021: £590k) includes (a) IT cost addition of £102k (2020: £376k) relating to ongoing IT capital projects (b) office refurbishment costs £nil (2021: £146k).

Housing properties book value, net of depreciation, comprises:

	2022	2021
	£000s	£000s
Freehold land and buildings	44,508	43,393
Long leasehold land and buildings	5,649	4,778
Short leasehold land and buildings	1,709	1,757
	51,866	49,928

12. Debtors

	2022	Restated 2021
	£000s	£000s
Due within one year		
Rent and service charges receivable	506	443
Less: provision for bad and doubtful debts	(409)	(355)
	97	88
Trade debtors	173	832
Other debtors	163	108
Prepayments and accrued income	385	431
	<u>818</u>	<u>1,459</u>

13. Cash and cash equivalents

	2022	2021
	£000s	£000s
Cash in bank and in hand	<u>2,667</u>	<u>2,556</u>

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

14. Creditors: amounts falling due within one year

	Note	2022	Restated 2021
		£000s	£000s
Housing loans	17	360	270
Deferred grant income	16	221	207
Trade creditors		439	869
Loan interest due		107	107
Rent and service charges received in advance		555	344
Recycled capital grant fund	18	50	153
Capital accruals and retentions		8	13
Other creditors		507	581
Other taxation and social security		85	139
Other accruals and deferred income		251	162
		<u>2,583</u>	<u>2,845</u>

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

	Note	2022	2021
		£000s	£000s
Housing loans	17	13,248	13,121
Deferred grant income	16	13,040	11,988
Recycled capital grant fund	18	-	-
		<u>26,288</u>	<u>25,109</u>

16. Deferred grant income

	2022	2021
	£000s	£000s
Balance at 1 April	12,195	11,996
Grant received in the year	1,175	403
Grant transferred from Recycled Capital Grant Fund	103	-
Released to Statement of Comprehensive Income	(213)	(204)
Balance at 31 March	13,260	12,195

Deferred income to be released to the Statement of Comprehensive Income		
Amount to be released in less than one year	221	207
Amount to be released in more than one year	13,039	11,988
	13,260	12,195

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

	2022	2021
	£000s	£000s
Due within one year	360	270
Due after more than one year		
Loan	13,440	13,300
Less: issue costs	(192)	(179)
	13,248	13,121
	13,608	13,391

We have the following loan facilities in place:

- Barclays Bank (Facility A) £6.3m – fully drawn (2021 – fully drawn) (expires July 2029).
- Barclays Bank (Facility B) £6.5m – fully drawn (2021 – £6m drawn) (expires August 2025).
- Unity Trust Bank £7.5m – £1m drawn (2021 – £1m drawn) (expires January 2031).

Repayment profile:

- Within one year: £360k (2021 – £270k).
- One year or more but less than two years: £460k.
- Two years or more but less than five years: by instalments of £1.7m (2021– £1.7m) and bullet payment of Barclays Bank (Facility B) £6.5m (2021– £6.5m).
- More than five years: £4.8m.(2021 – £4.7m).

Of the drawn loan facility £11.3m is on fixed interest rates and divided into several fixed-rate loan tranches with Barclays. These tranches have different interest rates ranging from 2.7% to 5.5% and varying maturity dates. Once they mature all tranches revert to variable rates.

The remainder is comprised of floating rate loans, with interest that is based on SONIA (Barclays) rate or the bank's base rate (Unity). The loan facilities are secured by fixed charges on a selected property portfolio. However, there are several other properties that are free from this charge and can be charged in the future to cover further borrowings, if required.

18. Recycled capital grant fund – Homes England

	2022	2021
	£000s	£000s
Balance at 1 April	153	167
Recycling of grants – new build	(103)	-
Grant repaid	-	(14)
Interest on grant fund	-	-
Balance at 31 March	50	153

	2022	2021
	£000s	£000s
Due within one year	50	153
Due after more than one year	-	-

19. Provisions for liabilities and charges

	2022	2021
	£000s	£000s
Balance at 1 April	182	60
Spend in the year	(164)	(15)
Release of provision	(18)	(15)
Increase in provision	-	152
Balance at 31 March	-	182

During the year dilapidation work at the Mill Street office and entrance doors at several schemes as recommended by the scheme Fire Risk Assessments were completed and the balance of the provision released.

20. Financial and other commitments

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

	2022	2021
	£000s	£000s
Expenditure contracted for but not provided in the accounts	420	33
Expenditure authorised by the Board but not yet contracted	3,085	2,735

The above commitments will be financed primarily through borrowings, which are available for drawdown under existing loan arrangements with the balance through social housing grant.

Leasing commitments

The future minimum lease payments are set out below.

	2021	2021	2021	2021
	Property	Others	Property	Others
	£000s	£000s	£000s	£000s
Within one year	460	26	454	13
Between one and five years	987	35	1,194	10
Over five years	873	-	952	-
At 31 March	2,320	61	2,600	23

21. Social housing units

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

	2022	2021
Supported housing units	869	864
Housing for older people units	36	36
Total owned and managed	905	900
Not owned but managed	30	65
	935	965

22. Notes to the statement of cash flow

	2022	Restated 2021
	£000s	£000s
Surplus for the year	743	4,263

Adjustments for non-cash items		
Surplus on disposal of property, plant and equipment	(211)	(100)
Depreciation of tangible fixed assets	1,122	1,015
Surplus on sale of care services	-	(98)
Donation on merger	(684)	(3,577)
Amortisation of loan arrangement fee	33	30
	1,003	1,533

Movements in working capital		
Decrease/(increase) in debtors	712	(331)
(Decrease)/increase in creditors	(270)	634
	1,445	1,836

Adjustments for investing or financing activities		
Government grants amortised in the year	(213)	(204)
Pension costs less contributions	(41)	(40)
Interest payable	412	395
Interest received	(5)	(3)
Net cash generated from operating activities	1,598	1,984

23. Analysis of changes in net debt

	At 1 April 2021	Cash flow	Non-cash changes	Total 2022
	£000s	£000s	£000s	£000s
Housing loans				
Due in less than one year	270	(270)	360	360
Due after more than one year	13,121	455	(328)	13,248
	13,391	185	32	13,608
Cash at bank and in hand	(2,556)	(111)	-	(2,667)
At 31 March	10,835	74	32	10,941

24. Social Housing Pension Scheme (SHPS)

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 and as a 'last man standing' arrangement. Therefore, Transform 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.

The most recent formal actuarial valuation was completed as at 30 September 2021 and rolled forward, allowing for the different financial assumptions required under FRS 102, to 31 March 2022 by a qualified independent actuary.

The net defined benefit liability at the year ended 31 March 2022 is £203k (2021: £159k). We have been notified by the Trustee of the scheme that it has performed a review of the changes to the scheme's benefits over the years and the result is that there is uncertainty surrounding some of these changes. The Trustee has been advised to seek clarification from the court on these items. This process is ongoing and the matter is unlikely to be resolved before the end of 2024 at the earliest. It is recognised that this could potentially impact the value of scheme liabilities, but until court directions are received, it is not possible to calculate the impact of this issue, particularly on an individual employer basis, with any accuracy at this time. No adjustment has been made in these financial statements in respect of this potential issue.

Present value of defined benefit obligation

	31 March 2022	31 March 2021
	£000s	£000s
Fair value of plan assets	1,096	1,236
Present value of the scheme liabilities	1,299	1,395
Deficit in plan	(203)	(159)
Defined benefit liabilities to be recognised	(203)	(159)

Reconciliation of the opening and closing present value of scheme liabilities

	2022	2021
	£000s	£000s
Opening Scheme liability	1,395	1,187
Expenses	3	3
Interest expense	28	28
Actuarial (losses)/gains	(75)	229
Net benefits paid	(52)	(52)
Closing scheme liability	1,299	1,395

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

	2022	2021
	£000s	£000s
Opening fair value of the plan assets	1,236	1,120
Interest income	25	27
Return on plan assets	(156)	98
Contributions by the employer	43	43
Benefits paid	(52)	(52)
Fair value of assets	1,096	1,236

The actual return on plan assets (including any changes in share assets) over the period from 3 March 2021 to 31 March 2022 was £131k.

Amounts recognised in the surplus

	2022	2021
	£000s	£000s
Amounts charged to operating costs	3	3
Amounts charged to interest costs	3	1
Total charge for the year	6	4

Defined benefits costs recognised in the other comprehensive income

	2022	2021
	£000s	£000s
Experience to plan assets (excluding amounts included in net interest cost) – gain (loss)	(156)	98
Experience gains and losses arising on plan liabilities – gain (loss)	(18)	2
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation – gain (loss)	24	(6)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation – gain (loss)	69	(225)
Total actuarial gains or losses (before restriction due to some of the surplus not being recognisable) – gain (loss)	(81)	(131)
Total amount recognised in other comprehensive income – gain (loss)	(81)	(131)

Principal actuarial assumptions: Financial assumptions

	31 March 2022	31 March 2021
	% per Annum	% per Annum
Discount rate	2.78	2.04
Future salary increase	3.77	3.82
Inflation (RPI)	3.28	3.35
Inflation (CPI)	4.28	2.82
Allowance for commutation of pension for cash at retirement	75% of max. allowance	75% of max. allowance

Mortality assumptions

	31 March 2022	31 March 2021
	Life expectancy at age of 65 years	
Male retiring in 2022	21.1	21.6
Female retiring in 2022	23.7	23.5
Male retiring in 2042	22.4	22.9
Female retiring in 2042	25.2	25.1

Analysis of pension scheme assets

	31 March 2022	31 March 2021
	£000s	£000s
Global equity	210	197
Absolute return	44	68
Distressed opportunities	39	36
Credit relative values	36	39
Alternative risk premia	36	47
Fund of hedge funds	-	-
Emerging markets debts	32	50
Risk sharing	36	45
Insurance linked securities	26	30
Property	30	26
Infrastructure	78	82
Private debt	28	29
Opportunistic illiquid credit	37	31
High yield	9	37
Opportunistic credit	4	34
Corporate bond fund	73	73
Liquid credit	-	15
Long lease property	28	24
Cash	4	-
Currency hedging	(4)	-
Secured income	41	51
Liability driven investments	306	314
Net current assets	3	8
	1,096	1,236

None of the fair value of the assets shown above include any direct investments in the employer's own financial instruments or any property occupied by, or other assets used by, the employer.

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.

	2022	2021
	£000s	£000s
Fundraising cash generated		
Fundraising cash	142	110
Fundraising costs		
Salary costs	57	55
Other costs	21	22
	78	77
Net fundraising contributions	64	33
Return on investment (ROI)	1.82	1.4
Fundraising cost ratio	55%	70%
Allocation of funds		
Capital projects		
Move on Grants	-	8
Revenue projects		
For specific client groups/projects	142	102
Total fundraising cash allocation	142	110

26. Share capital

Transform is limited by guarantee and therefore has no share capital. Each member (see numbers below) agrees to contribute £5 in the event of the organisation winding up.

Number of members	2022	2021
	No	No
At 1 April	23	24
Joining during the year	1	1
Leaving during the year	(1)	(2)
At 31 March	23	23

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 cease to be used for social housing, the grants may be repayable in full.

Total grants received:	2022	2021
	£000s	£000s
Grants credited to the income statement or arising on merger/acquisition	9,738	9,525
Deferred grants (note 16)	13,260	12,195
	22,998	21,720

29. Taxation status

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

30. Donation of WVHA and RQHA net assets

WVHA transferred all its assets and liabilities as at 1 April 2021 to Transform, through a transfer of engagement.

The fair values of the housing properties were based on the existing use value for social housing. The valuations were undertaken by Savills.

	Book value	Restated to fair value	Fair value to Transform
	£000s	£000s	£000s
Housing property	462	85	547
Debtors	7	-	7
Short term liabilities	(12)	-	(12)
Cash	176	-	176
	633	85	718
Less: merger costs			(34)
			684

RQHA transferred all its assets and liabilities as at 15 May 2020 to Transform, through a transfer of engagement. The table below sets out the net book value of the identifiable assets and their value to Transform.

The fair values of the housing properties were assessed as follows:

- properties which are to be sold or redeveloped, based on the open market fair value assuming vacant possession
- other social housing properties, based on the existing use value for social housing

The valuations were undertaken by Savills.

The only social housing grant on the properties transferred relates to the properties which are to be retained and which will be used for social housing purposes for the foreseeable future. As such it is not expected that the grant will become repayable in the foreseeable future and the grant is not recognised in the financial statements (see also note 28).

	Book value	Restated to fair value	Fair value to Transform
	£000s	£000s	£000s
Housing property	2,205	668	2,873
Other fixed assets	21	-	21
Debtors	22	-	22
Short term liabilities	(29)	-	(29)
Cash	806	-	806
	3,025	668	3,693
Less: merger costs			(116)
			3,577

31. Prior year adjustments

During the year, it was discovered that:

- Certain rent increases had been incorrectly applied with the result that for certain properties, excess rents were charged from 1 April 2018.
- Incorrect returns were made in respect of certain employees' pension contributions with the result that income tax was claimed twice on the pension contributions. Transform has agreed to cover the cost of the excess tax claims.

These items have been treated as prior year adjustments, the impact on the financial statements is shown in the table below:

	As previously reported 2021	Prior year adjustments	2021 restated
	£000s	£000s	£000s
Impact on the statement of comprehensive income			
Turnover (rent receivable)	12,364	(158)	12,206
Operating expenditure (management costs)	(11,298)	(28)	(11,326)
Other operating income	3,677	-	3,677
Operating surplus	4,743	(186)	4,557
Surplus on sale of care services	98	-	98
Interest receivable	3	-	3
Interest payable	(395)	-	(395)
	4,449	(186)	4,263
Impact on the statement financial position			
Tangible fixed assets	50,846	-	50,846
Trade and other debtors	1,551	(92)	1,459
Cash and cash equivalents	2,556	-	2,556
Creditors: amounts falling due within one year	(2,559)	(286)	(2,845)
Creditors: amounts falling due after more than one year	(25,109)	-	(25,109)
Provisions and pension scheme liability	(341)	-	(341)
	26,944	(378)	26,566
Reserves			
Opening reserves	22,626	(192)	22,434
Net comprehensive income for the year	4,318	(186)	4,132
	26,944	(378)	26,566

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