transform housing & support

Financial statements 31 March 2023

Company Secretary

Mandy Arnold

Registered office

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

01372 387100

www.transformhousing.org.uk

info@transformhousing.org.uk

Registrations

Registered charity: 264133

Company limited by guarantee registered in England and Wales: 01057984

Registered with the Regulator of Social Housing: H2452

Auditor

CLA Evelyn Partners Limited
Onslow House
Onslow Street
Guildford
Surrey GU1 4TZ

Principal solicitors

Devonshires Solicitors LLP
30 Finsbury Circus
London EC2M 7DT

Banker

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

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About Transform Housing & Support

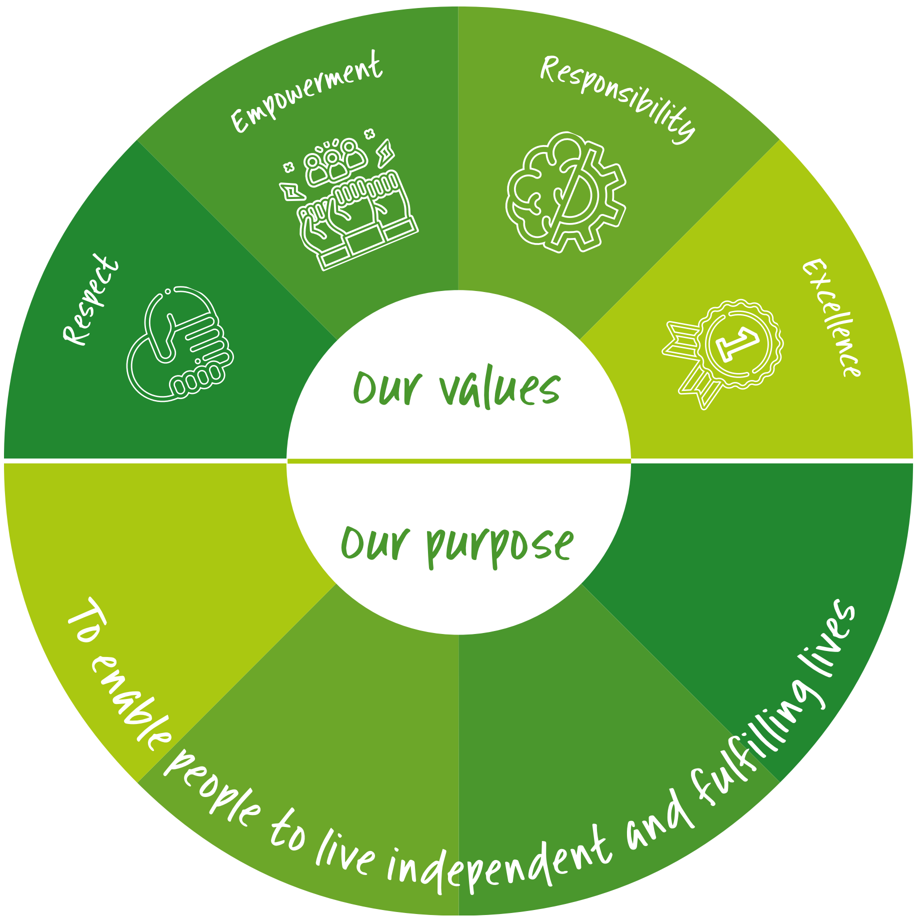
Our purpose

Transform is a housing association and charity supporting around 1,800 people each year in Surrey, parts of south-west London, Berkshire and West Sussex. Transform was established in 1972 and we therefore celebrated our 50th anniversary during 2022. For more than 50 years, we have played a critical role in empowering over 30,000 clients to find a home and forge more independent, fulfilling lives.

Many Transform clients were homeless, excluded from society and battling multiple health challenges. We provide a safe place to live where individuals can gain stability and develop their skills and confidence. We also offer support services to help people in their own homes who are facing housing-related issues to reach their goals.

Our vision and values

Transform is ambitious and intends to continue to strengthen activity and grow to support more clients in the future. Our services are needed now more than ever as the cost-of-living crisis has exacerbated the adversities already faced by many people. These include insecure housing, poverty, discrimination, stigma and inequality. As well as providing homes for individuals, we aim to enable them to live happier and healthier lives. Our ultimate goal is to work with partners towards eradicating homelessness and provide support to those people who require it.



Executive team

Lawrence Santcross
Chief Executive

Simone Bartley
Director of Corporate Services

Adele Duncan
Director of Client Services

Edith Parker
Interim Director of Finance (from April-August 2022)

Amanda Soobrayan
Director of Finance (from August 2022)

Michael O'Brien
Director of Asset Management & Capital Development
(left May 2023)

Kevin Stephens
Director of Asset Management & Capital Development
(joined April 2023)

Mandy Arnold
Head of Governance & Assurance

Anita Gupta
Head of External Affairs & Communications

Caroline Felton
Executive Assistant

Patrons

Royal Patron
HRH The Duchess of Edinburgh GCVO DStJ CD

The Rt Hon Baroness Bottomley of Nettlestone PC DL

Michael More-Molyneux, HM Lord-Lieutenant of Surrey

Professor Patrick J Dowling CBE DL FREng FRS (Died April 2023)

Dame Penelope Keith DBE DL

David Hypher OBE DL BSc (Hons)

Elizabeth Kennedy FCIPD

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

Gavin Stephens QPM, Chief Constable, Surrey Police

Sir Richard Stilgoe OBE DL

Sally Varah MBE DL

The Rt Revd Andrew Watson, Bishop of Guildford

Ambassadors

Dame Elizabeth Anson DBE JP DL

His Hon Christopher Critchlow DL

Desmond McCann BA FCA

David McNulty PhD

Greg Melly

Lesley Myles MBE JP DL MA

Kim Rippett

The Hon Mrs Lavinia Sealy DL

Bernard Stevens FCA FCMA

Lady Elizabeth Toulson CBE DL

Paul Wates FRICS

Cllr Fiona White

Malcolm Young FRICS

Our Chair reflects on 2022/23

Within the following pages, you will learn of our successes during the past year when we have provided nearly 1,800 clients with the tools, support and opportunities needed in their journey towards independence. I am pleased to report that it has been another strong year for Transform in fulfilling our core purpose.

Last year also marked an historic occasion as we celebrated Transform's 50th anniversary. Looking back from this landmark we have supported thousands of stories of transformation. The people we supported have moved from vulnerability to resilience and from dependency to self-sufficiency. It has thus been a time to reflect on the impact we have made on the lives of more than 30,000 people since 1972.

To commemorate this significant anniversary, we organised a series of celebrations in our services, creating opportunities to share stories and remind clients of how far they have come. Additionally, we held a celebration event for colleagues where we were able to show our gratitude for their tireless efforts. Whether in the frontline supporting clients, or in central office support functions, our colleagues' unwavering dedication has been the driving force behind our success. They have my sincerest thanks for such great service.

We also hosted a spectacular Gala evening, attended by our Royal Patron, HRH The Duchess of Edinburgh which, before costs, raised over £67,000. It was not only a celebration but also a chance to express our sincerest appreciation to those who have been instrumental in backing Transform. We were also able to say a huge thank you to Transform's trustees, donors, colleagues and supporters whose contributions have enabled us to make a meaningful difference to the lives of those who have been marginalised and forgotten.

Let me touch on just a few other highlights from 2022/23. We continued to enhance our digital capabilities, including providing a new messaging service for clients, upgrading our website, improving management information data and further bolstering IT security. Construction began on our first modular development of eight flats for young people and single young parents, which will be named after Transform's former Chief Executive Paul Mitchell. More than £1.2 million in funding has been secured for the building from local authorities, Homes England and foundation trusts.

We received a further £35,000 this year from Surrey County Council's Household Relief Fund and acquired a number of flats for homeless people to be run in line with Housing First principles. This was with funding from the Government's Rough Sleeping Accommodation Programme. Transform was also successful in renewing its drop-in service contract in Wokingham and its recovery housing contract with Surrey County Council.

This year we said thank you and bid farewell to two esteemed retiring Trustees, Jane Bolton and Chris Deacon, and also welcomed two new Board members, Sanjay Gulati and Alec Sanderson. Transform benefited from two new committee members with lived experience joining the Client Experience & Impact Committee and was shortlisted, for the second year running, for a UK Housing Award in the 'Best Supported Housing Landlord' category.

So, as we turn the page on our 50^{th} year and reflect on Transform's accomplishments, we never forget that there are still thousands of individuals who need support. We also remain steadfast in our commitment to making an even greater impact in the future. Together with colleagues, Trustees, donors and supporters, we shall continue to strive for a society where everyone has access to safe and affordable housing. Unfortunately, among other factors, both the cost-of-living crisis and the changes of direction in Government policy will not help us to make homelessness a thing of the past.

Thank you for your continued support along Transform's journey. It has as always been a privilege and an honour to be part of an organisation that not only provides homes but also empower individuals to rebuild their lives.

Mark Austen
Chair
8 August 2023

Strategic report and Trustees' annual report

Key strategic achievements – 2022/23

Previous year's figures in brackets

Clients

- Provided support for 1,793 individuals (1,817).
- 89.6% of clients who moved on from our services did so in a planned way (89.1%).
- Secured a grant of £77,000 from Surrey County Council for two specialist harm reduction workers to improve outcomes for people with mental health and/or alcohol misuse issues.
- Appointed two people with lived experience to the Client Experience & Impact Committee.
- Secured a place on Surrey County Council's approved provider list for learning disability services.

People

- Completed a comprehensive review of Transform's pay and benefits including:
  - switching to a new group pension plan providing better benefits for colleagues, following a pension review
  - implementing all recommendations from our triennial salary benchmarking review
  - launching a new benefits platform.
- Expanded mental health support for colleagues including in-person counselling and trained mental health first aiders.
- Developed a staff charter highlighting what colleagues and Transform can expect from each other.

Growth and funding

- Purchased eight flats under the Rough Sleeping Accommodation Programme.
- Secured over £1.2 million in funding from local authorities, Homes England and charity foundations including The Wolfson Foundation and The Peter Harrison Foundation for Transform's first modular development.
- Began construction on Transform's first modular development, to be named after former Chief Executive Paul Mitchell.
- Secured £35,000 grant from Surrey County Council's Household Relief Fund to distribute to clients.
- Successfully retained the Wokingham Borough Council contract for Transform's drop-in services and the recovery housing contract with Surrey County Council.
- Fundraised £195,000 including £67,000 (before costs) from the 50th Anniversary Gala evening.

Transform wide

- Shortlisted for the second year running in the 'Best Supported Housing Landlord' category of the UK Housing Awards.
- Further enhanced digital infrastructure and systems.
- Celebrated our 50th anniversary with clients and colleagues at successful events throughout the year.

Financial performance

(2021/22 figures in brackets)

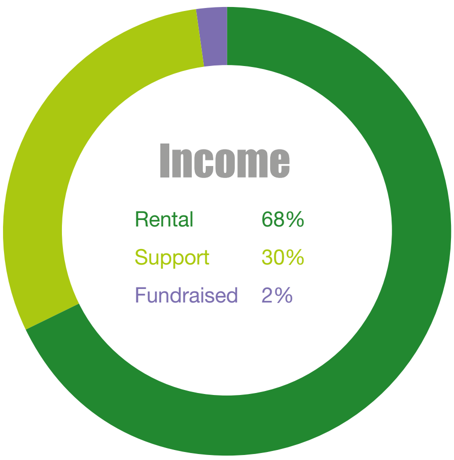
Summary

The post-Covid pandemic effects and the current economic crisis have proved to be financially challenging this year. Higher operating costs have put financial pressure on our margins. Russia's war against Ukraine has put additional pressure on food and energy prices, as well as other goods. The surge in consumer price inflation is also having an impact on the households' living standards.

Many Transform clients face the prospect of worsening personal finances brought about by the declining national economic growth and a delayed post-crisis recovery. Despite operating against this backdrop of economic uncertainty, our financial resilience has enabled another successful year for Transform as we have continued to focus on ensuring the delivery of excellent services to clients.

Income

We have achieved a turnover of £11.3 million (£10.6 million) which represents a 5% increase on the last financial year. A rent freeze in this financial year helped clients during the cost-of-living crisis. Charitable donations from our 50th anniversary Gala event raised over £67,000.

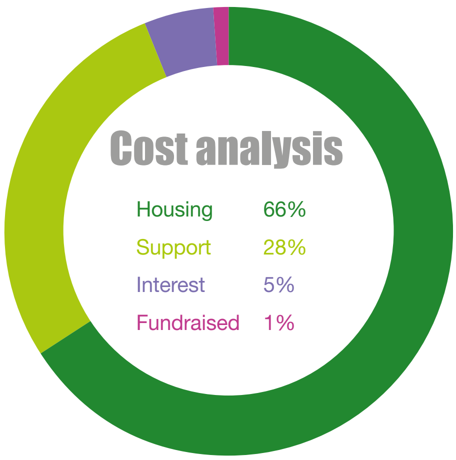


Operating costs

Operating costs were £10.3 million (£10.3 million). This includes abortive costs of £103,000 for a planned capital development which the Board of Trustees took a decision to discontinue as an increase in build costs had rendered the scheme unviable. Other changes in operating costs included increases in service costs due to higher heating and lighting charges.

Planned maintenance costs reduced from £558,000 in 2021/22 to £174,000 in 2022/23 as there was an extensive fire risk programme implemented last year.

We increased our provision for bad debts by £94,000 as more clients struggled with the cost-of-living crisis. As always, staffing has been our biggest area of expenditure – £4.2 million (£4.3 million) which accounts for 40% of our total costs. Across the UK housing sector however, there have been significant difficulties recruiting and retaining staff during the past year. Transform has faced similar challenges with staff vacancies for most of the 2022/23 year which has resulted in a reduction in costs of £126,000 across all areas.



Net income

We achieved an operating surplus of £1.1 million compared to an operating surplus of £1.2 million in 2022. This includes the sale of one of our properties – £114,000 (£211,000). Last year's surplus included assets of £684,000 acquired from the merger with Wey Valley Housing Association. Interest rate rises over the last year increased our interest costs to £539,000 (£412,000). Our overall surplus was £569,000 (£743,000).

The current turbulence in the economy continues to have an impact on our financial performance. However, we have a diverse portfolio of clients, our business model remains robust and continues to generate sufficient cash to invest in our housing stock and provide an excellent support service.

Investment in properties

During the year, Transform invested £3.9 million (£2.8 million) in existing and new homes in line with the organisation's strategic plans and continued its focus on developing more homes for clients. Of this £3.9 million, £401,000 was invested in existing properties and £2.2 million in new homes. We have also invested a further £1.3 million in our new modular development.

Statement of financial position and cash flow

The statement of financial position shows fixed assets of £55.6 million (£52.8 million). We added 10 units to our housing stock portfolio at a cost of £2.2 million through acquisition and invested £401,000 (£350.000) in our existing stock. We have invested a further £1.3 million in our current modular development. The total number of units owned and managed by Transform increased from 935 to 941 during 2022/23. We disposed of one property and took three properties out of management.

The total assets less current liabilities was £55.8 million, (£53.7 million). The £55.8 million includes the following items: the Social Housing Pension Scheme Defined Benefit (SHPS DB*) liability of £195,000 (£203,000), loans of £12.8 million (£13.2 million), deferred grants of £15.0 million (£13.0 million) and reserves of £27.8 million (£27.2 million). The balance sheet meets our loan covenant requirements. The cash balance stands at £1.2 million (£2.7 million) which provides a buffer to manage short-term cash flow pressures.

Capital structure and treasury

As at March 2023, Transform had a secured loan facility of £20.3 million of which £13.4 million has been drawn. The remaining loan facility is sufficient to fund our current modular development and future investment in stock. We will refinance £6.5 million of our loans in 2025. Transform has approximately 72% of its loan balance on a fixed-rate basis to protect against increases and fluctuations in interest rates. Our weighted average cost of capital is 3.9% (2.7%).

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 reviews our reserves policy annually. Total reserves at year end, were £27.8 million (£27.2 million). We hold the following reserves:

- Restricted reserves of £409,000 (£294,000) for funds received for restricted purposes.
- Designated reserves of £250,000 (£0) set aside for an extensive planned maintenance programme in existing stock to meet Energy Performance Certificate (EPC) targets for 2030.
- General reserves of £27.0 million (£25.9 million) invested in housing properties – generated through normal operations and invested in property assets.
- Unrestricted reserves of £119,000 (£984,000) generated from normal operations. Our unrestricted reserves will ensure we maintain essential services for clients in the event of any income fluctuations which might arise.

Transfers between funds primarily represent funds designated by the Board for specific purposes.

Going concern

We prepare a 30-year business plan which is updated and approved by the Board on an annual basis. The business plan was approved at a Board meeting held on 25 May 2023. We stress-test our plan against our key strategic risks and to ensure we consider the impact of various scenarios. We have long-term debt facilities in place which provide adequate resources to finance committed reinvestment and development programmes, alongside income generated from our day-to-day operations.

To the best of their knowledge Trustees are satisfied that Transform is able to service these debt facilities while continuing to comply with lenders' covenants which will be maintained throughout the period of the plan and have adequately stress-tested this.

As at 31 March 2023 Transform held liquidity (comprising cash balances and undrawn committed loan facilities available for immediate drawing) of £7.2 million. Cash balances were £1.2 million.

The Board, after reviewing budgets for 2023/24 and the medium to long-term financial position as detailed in the 30-year business plan, is confident that Transform is well placed to manage its risks successfully. The Board is also of the opinion that we have adequate resources to continue to operate for the foreseeable future – being a period of at least 12 months after the date of approval of the financial statements. On this basis, the Board continues to adopt the going concern basis in the financial statements.

Fundraising

Through our fundraising we aim to provide additional services to support clients to positively change their lives. Last year, we generated £335,000 (£142,000) income through fundraising from a range of trusts and foundations, corporates, community organisations and individuals. This also included monies raised from the 50th anniversary Gala event. Transform would like to thank all our supporters and donors for their continued generosity.

* 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

Health and safety

Summary

It is of critical importance to Transform that we maintain a safe and healthy environment for clients, colleagues and all others involved in our operations.

To this end, 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 'Managing for Health and Safety' (HSG65).

Throughout the year 2022/23, we have focused on identifying and mitigating risks, implementing robust protocols and promoting a culture of safety. Through training and awareness, as well as adapting to the evolving needs and challenges presented, we have successfully kept our facilities and operations safe.

Our aim is to always deliver effective health and safety leadership from the top – starting with the Trustees, the Senior Leadership Team and all other managers.

Key health and safety actions and achievements during 2022/23

- Reviewed health and safety documentation against legislation and amended it where appropriate.
- Further strengthened data quality and record keeping including reviewing arrangements for reporting accidents, incidents and near misses.
- Refreshed our approach to management plans across all health and safety activity.
- Delivered and maintained good results against key performance indicators on Transform's health and safety compliance scorecard.
- Rolled out the Institution of Occupational Safety and Health (IOSH) Managing Safely training to managers across the organisation. This followed Senior Leadership Team members and Trustees participating in Leading Safely training in 2021/22 as part of our programme to ensure all of managers are aware of their obligations in relation to health and safety.

During 2022/23 there were no breaches of any of our statutory obligations and no fire incidents. In addition, no enforcement action or notices were served on Transform by the Health & Safety Executive, any environmental health department or fire authority.

Training

In addition to other health and safety training undertaken by colleagues specific to their roles, Transform has a comprehensive training plan for all new starters and existing employees which includes mandatory online health and safety training by leading UK experts Workrite.

Equality, diversity and inclusion

As a supported housing provider responsible for empowering clients to lead independent lives, equality, diversity, and inclusion (EDI) are not just buzzwords; they are the bedrock of our values. We recognise that true inclusion lies with valuing the diversity of all individuals. Our focus revolves around comprehending and addressing the unique requirements of all individuals, with particular emphasis on clients and colleagues (see summary of our EDI strategy below). By fostering a diverse and inclusive environment, we harness the potential of EDI to enact real change and transform lives.

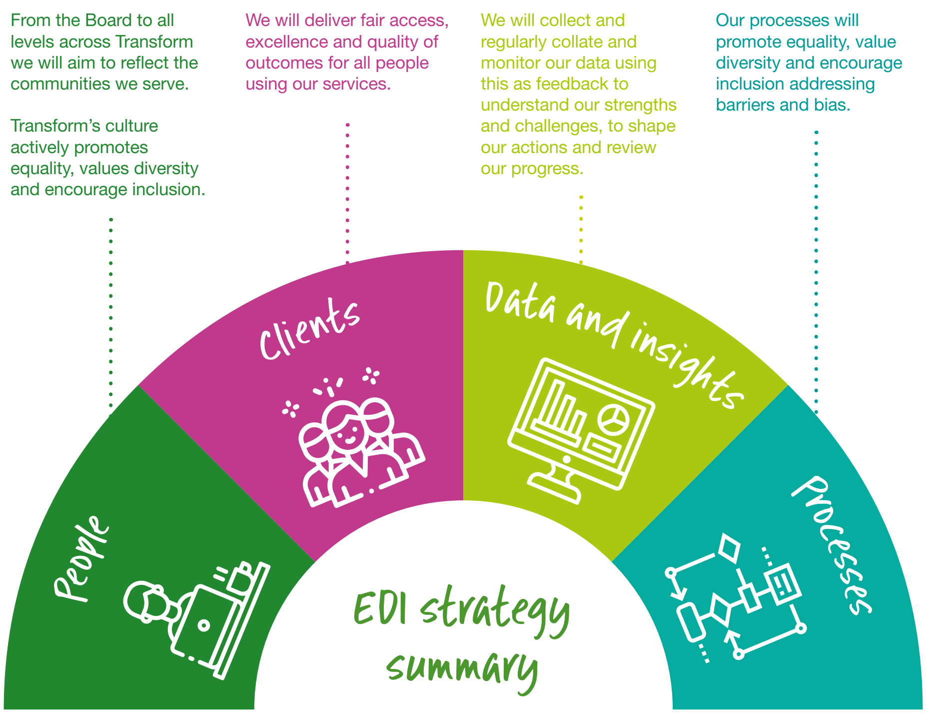
Key EDI achievements during 2022/23

- Increased the diversity on the Board, including appointing two new members of the Client Experience & Impact Committee with lived experience.
- Improved EDI training and resources for all colleagues.
- Updated the recruitment process for Housing & Support Officers and related guidance.
- Carried out a colleague EDI survey (see summary outcomes below).
- Increased the diversity within the Staff Forum and established an active Health & Wellbeing Group to expand the voice of colleagues at Transform.
- Refreshed the Transform website with increased accessibility embedded in the site.

Colleague EDI survey

We surveyed colleagues on EDI matters and below are the two main outcomes:

- 84% agreed or strongly agreed that people from different backgrounds are made to feel welcome at Transform. Fair/ equal treatment of colleagues and clients was most frequently cited as the thing colleagues were most proud of in relation to EDI at Transform.
- 82% of colleagues agreed or strongly agreed that there is a commitment in the organisation to improve performance with regards to EDI.



Asset management, maintenance and repairs

Previous year's figures in brackets

Home improvements

In 2022/23 we spent £1.6 million, in capital and revenue (£2.0 million) on maintaining our properties including refurbishing 246 flats and rooms in shared accommodation. The spend in this area was lower than in the previous two years due to the stock condition survey having been carried out and paid for in 2021/22, alongside fewer fire risk and cyclical works being required and a reduction in administration costs.

Responsive repairs

During the year, we completed 4,198 (5,150) responsive repairs, 3,304 (4,030) of which were delivered by our in-house Maintenance Team.

Repair type	Target	Completed within target
Emergency – within 24 hours	100%	96% (96%)
Urgent – within five working days	95%	94% (96%)
Essential – within 20 working days	97%	95% (98%)
Routine – within 30 working days	97%	92% (95%)

Decent Homes Standard

Of our 941 homes, 16 did not comply with the Decent Homes Standard. These are unoccupied and are situated in two buildings which are both waiting to be sold.

Sustainability

We continue to be strongly committed to reducing carbon emissions in our offices and clients' homes. We have adopted the Sustainability Reporting Standard for Social Housing (SRS) and will be working towards its implementation. We are very aware that as well as helping to address climate change and protect the planet, there are many benefits for people to be living in energy-efficient properties which include reduced energy bills, better health and more comfortable homes.

We aim to have all our properties at EPC Band C by 2030 and at net zero carbon by 2050, in line with the Government's sustainability targets for social housing.

Work has begun to scope out and design our sustainability strategy so it is aligned with the SRS, and we will be working with the University of Surrey to help us with research to support the development of this strategy. We are also progressing the recruitment of an Asset Planned Investment Manager who will support the net zero works.

Our headline sustainability objectives include:

- reducing the carbon footprint of housing stock to achieve net zero carbon
- 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
- developing new homes which will be net zero carbon.

Value for money

Value for money approach

This outlines Transform's key principles and approach to achieving value for money (VFM) in the provision of housing and support services. Delivering VFM is essential for us to ensure that our resources are used efficiently and effectively in delivering quality housing and support services.

Our resources are aligned to achieve the objectives of our strategy. This contributes to Transform's purpose to enable clients to live more independent and fulfilling lives.

Our approach to VFM is underpinned by our strategic objectives outlined in the business plan. Transform has a clear framework for achieving VFM, based on the following principles that support our strategic objectives.

The Board approves the business plan and budget on an annual basis, which sets the framework for the organisation's operations. The strategies inform our priorities for the year and we remain focused on the delivery of our overall organisational objectives.

Our key strategic objectives to be achieved over the next five years are to:

- operate a financially viable and sustainable organisation
- support clients by providing an excellent quality service
- ensure all existing assets are fit for purpose, financially viable and relevant
- invest in colleagues to deliver our strategic objectives
- invest in development and acquisition where it is viable and sustainable
- achieve a minimum of EPC C rated properties by 2030
- continue to ensure equality, diversity, and inclusion underpins our approach to colleague and client engagement.

We set ourselves challenging targets across all areas of operations and compare our performance against other similar sized housing providers to measure our efficiency and effectiveness and to identify areas for improvement.

Our strategic objective is to deliver homes that meet a range of needs. At the end of the financial year, we held 941 units of housing which were used for supported housing, temporary accommodation and general needs housing purposes.

Achieving continuous improvements remains a key strategic objective. Our focus remains on optimising value and focusing, in particular, on improving the quality of homes and delivering effective and high-quality support services to clients.

Monitoring VFM

Our VFM performance is measured against economy, efficiency and effectiveness targets. Our aim is to work collaboratively with colleagues to deliver improvements.

Operational targets are set at the start of each financial year which are approved by the Board. We aim to deliver continuous improvement throughout the year.

We benchmark our VFM performance:

- internally: against our target for the year and last year's actual performance; and,
- externally: against our actual performance with other similar sized housing providers

We use Acuity Benchmarking to measure ourselves against. The main resources used to compile this report are:

- SPBM Smaller Providers Benchmarking – a national group of 150 housing associations with up to one thousand homes.
- SPBM Supported Housing – a group of 24 supported housing providers which produce a comparative benchmarking data set and with whom we meet quarterly.

Transform's operational indicators include:

- regulatory compliance – we're ensuring all our homes are safe to live in
- reactive maintenance – the percentage of reactive repairs we are completing on time
- planned maintenance – how we are performing against budgets
- client satisfaction rates
- voids – our re-let times and rent losses
- income collection – arrears and bad debt rates
- the number of homes we are delivering and disposing of against budget
- how we are improving our digital services and client engagement.

Our Senior Leadership Team, including the Executive Team meet regularly to review performance and take appropriate action if targets are not being met.

Monitoring of progress is delegated to our Board of Trustees which also provides financial scrutiny of performance against budget and quarterly in-depth reviews of our financial and VFM metrics.

How we performed and the areas for development

Economy

We measure the use of our resources ‘doing things at the right cost’ and minimising the costs per activity. This is monitored through quarterly management accounts, quarterly reforecasts, and comparing similar sized housing association benchmarking results.

During 2022/23 we:

- began developing of an appraisal tool to enable us to assess the financial performance of our assets over the longer term enabling us to make decisions on their long-term future
- re-procured our insurance services, achieving a 25% reduction in costs
- re-negotiated a number of contracts including securing the Wokingham contract following a retendering exercise.

Efficiency

We measure how we delivered the same level of service for less expense, time or effort i.e. ‘doing things the right way’ through quarterly performance reports.

Repairs

Indicator	2023/24 Target	2022/23 Internal target	Peer group 2022/23	2022/23	2021/22
% of repair completion time	97%	97%	86%	96%	96%
Voids %	6%	6%	6%	7%	6%
Arrears % net of housing benefit	3%	3%	5%	6%	5%

Our performance tends to benchmark well against comparable providers in terms of repair completion times. During this year we have introduced a messenger module on Pyramid (our housing management system). The Pyramid Messenger module collates customer satisfaction for reactive repairs. We strive to improve satisfaction rated by ensuring we get all repair jobs done first time and to a high standard.

Voids

Reducing voids is a key focus for Transform following a recent dip in performance post-Covid when there were delays in filling them. Delays to repairs work have also lengthened some turnaround periods. Activity to reduce voids has included:

- implementing a voids management module which better enables us to clearly identify where delays in the letting process are occurring
- introducing a new customised reporting tool that will enable us to manage and monitor performance better in future years
- further cementing our partnerships with local authorities to improve our referral process.

Arrears

Another aspect we are committed to improving is arrears management and income collection.

Covid has been a long road to recovery for the majority of clients and, in addition to the current economic crisis, this has reduced our performance in managing arrears in 2022/23 when compared to 2021/22. Ways we are addressing this include:

- exploring alternative rent payment options in 2023/24 to make these easier and faster
- continuing to provide training to Housing & Support Workers to enable them to support clients with managing their finances and claiming their welfare benefit entitlements
- monitoring arrears and putting personal action plans in place for each client
- making best use of the arrears management module on our housing management system.

Effectiveness

We measure the extent to which intended outcomes are achieved.

- During 2022/23 – we have been training staff to use the Outcomes Star process to measure a client's progress from the time they become a client of Transform until the time they leave.
- Client satisfaction – we worked with TLF Research to develop a satisfaction survey based on what clients want from us.

During the 2022/23 financial year, we worked with 1,793 clients, 438 of whom moved on positively to independent living. Through delivery of our operational services, we make a significant impact to the communities in which we work.

Internal KPIs			
Indicator	2023/24 target	2022/23	2021/22
Number of clients we worked with	1,800	1,793	1,818
Number of positive move-ons %	90%	89.6%	89.1%
Number of clients who moved to independent accommodation	450	438	392

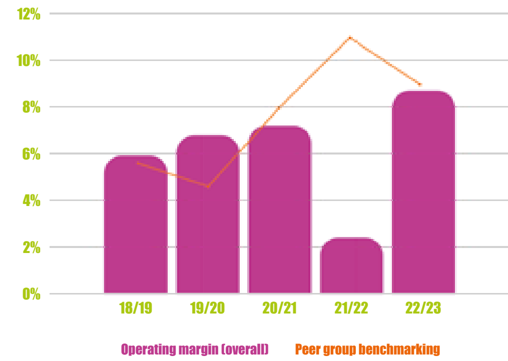
VFM metrics

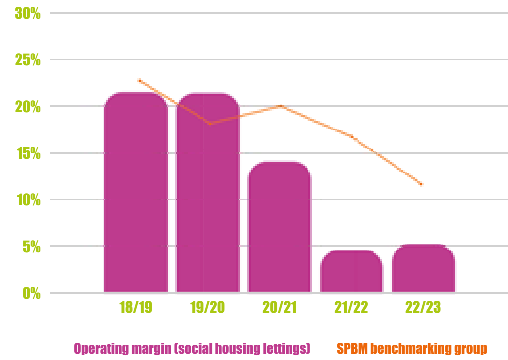
VFM metrics were introduced to compare performance in the sector in a fair and comparable way. The seven metrics compare efficiency, effectiveness and economy on a comparable basis across the sector. We benchmark ourselves against the Acuity Benchmarking group.

	VFM metrics	2022/23 Internal target	2022/23	Supported housing Acuity benchmarking group/peer group 2021/22	2021/22
1.	Operating margin (overall)	10.0%	8.7%	9.0%	2.4%
2.	Operating margin (social housing lettings)	8.0%	5.2%	11.7%	4.6%
3.	Earnings Before Interest, Taxes and Amortization (EBITDA) Major Repairs Included (MRI) (as a % of interest)	150.0%	289%	171.0%	154.0%
4.	Gearing	25.0%	22.0%	13.9%	21.3%
5.	Supply of new social housing (as a percentage)	1.0%	1.1%	n/a	0.7%
6.	Reinvestment	5%	5.1%	4.0%	5.5%
7.	Return on Capital Employed (ROCE) (%)	2.0%	2.0%	1.9%	2.1%
8.	Headline social housing cost per unit	£10,000	£10,073	£13,060	£10,242

1 and 2 – Operating margins

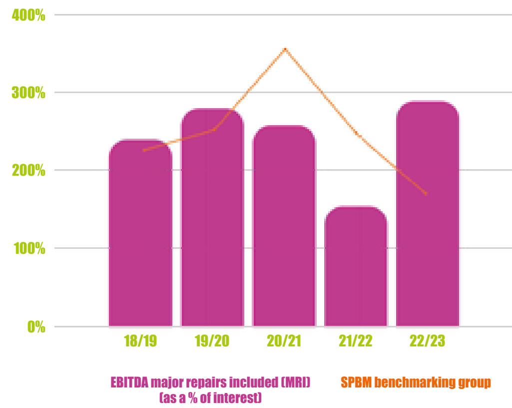
Our current year performance against the VFM metrics, is lower than our peer group for both the overall operating margin and operating margin for social housing lettings. Transform's financial performance during the past two years was affected by the challenging operating environment post-pandemic and this year, Transform had a rent freeze which supported clients during the current cost-of-living crisis.





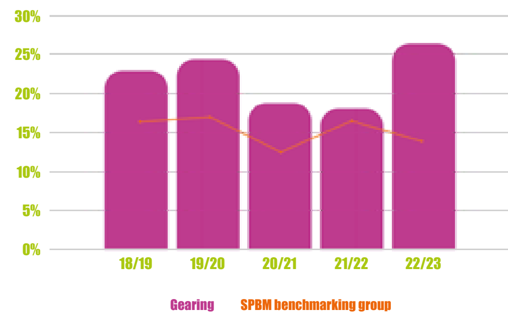
3 – EBITDA

Our EBITDA metric is above the benchmark for 2022/23. It was below our peer group during the period marked by the pandemic. The metric aligns with our VFM strategy to invest in new homes and make our existing homes 'fit for purpose'. Reduced operating costs has improved our EBITDA KPI this year.



4 – Gearing

Our development programme is ongoing. Our gearing ratio at March 2023 is higher than our supported housing benchmarking group but still relatively low at 26%. This satisfies loan covenant requirements and gives us the capacity to take advantage of additional borrowing, for development and growth purposes.

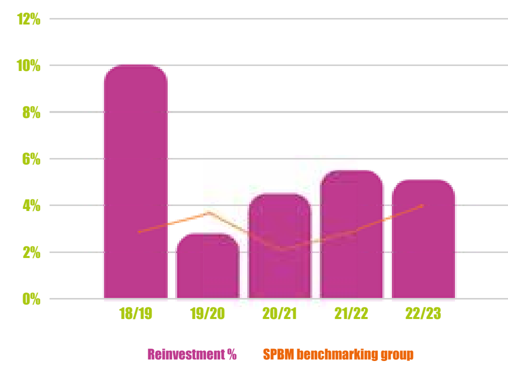


5 – New supply

We invested £2.2 million (2022: £ 1.9 million) in the provision of 10 new homes in 2022/23.

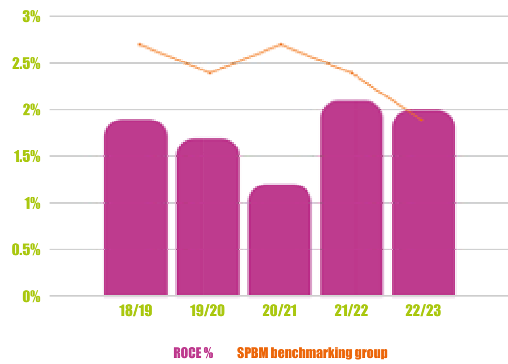
6 – Reinvestment

Capital expenditure of £401,000 (2022: £350,000) was invested in our existing stock and we performed better than our benchmarking group over the last three years.



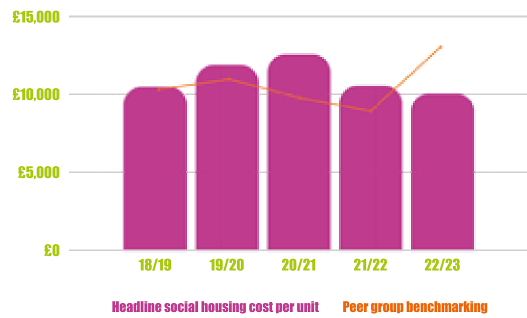
7 – Return on Capital Employed (ROCE)

ROCE measures our overall operating surplus in relation to our total assets less current liabilities. Our ROCE has been below our benchmarking group over the past four years but for this 2022/23 year is at the same level as our benchmarking group. Any surplus that Transform makes in its operations is reinvested in maintaining its existing homes, building new homes and maintaining and investing in its support services.



8 – Social housing cost per unit

Housing costs have reduced to £10,000 per unit which is below our peer group. This was mainly due to lower costs because of a shortfall in staffing.



VFM - the year ahead

Our VFM objectives for 2023/24 are to:

- refresh our VFM strategy and further develop our approach to measuring social impact
- continue to provide high quality services including improving progress against our KPIs
- review and update the next two-year plan for our Client Engagement Strategy
- review our procurement strategy for professional fees including reprocuring our energy contracts
- develop additional ways in which clients can make rent payments
- optimise housing management and service charge income streams
- have clear options appraisals in place for all stock and to position us to deliver our investment programme for EPC compliance
- demonstrate sustained year-on-year improvement in our processes through process-mapping
- ensure we meet all regulatory compliance and adopt Ofsted for the young people we support
- deploy digital technologies to continue to support our VFM objectives
- redevelop, remodel or dispose of unviable assets.

Future plans - strategic objectives 2021-24

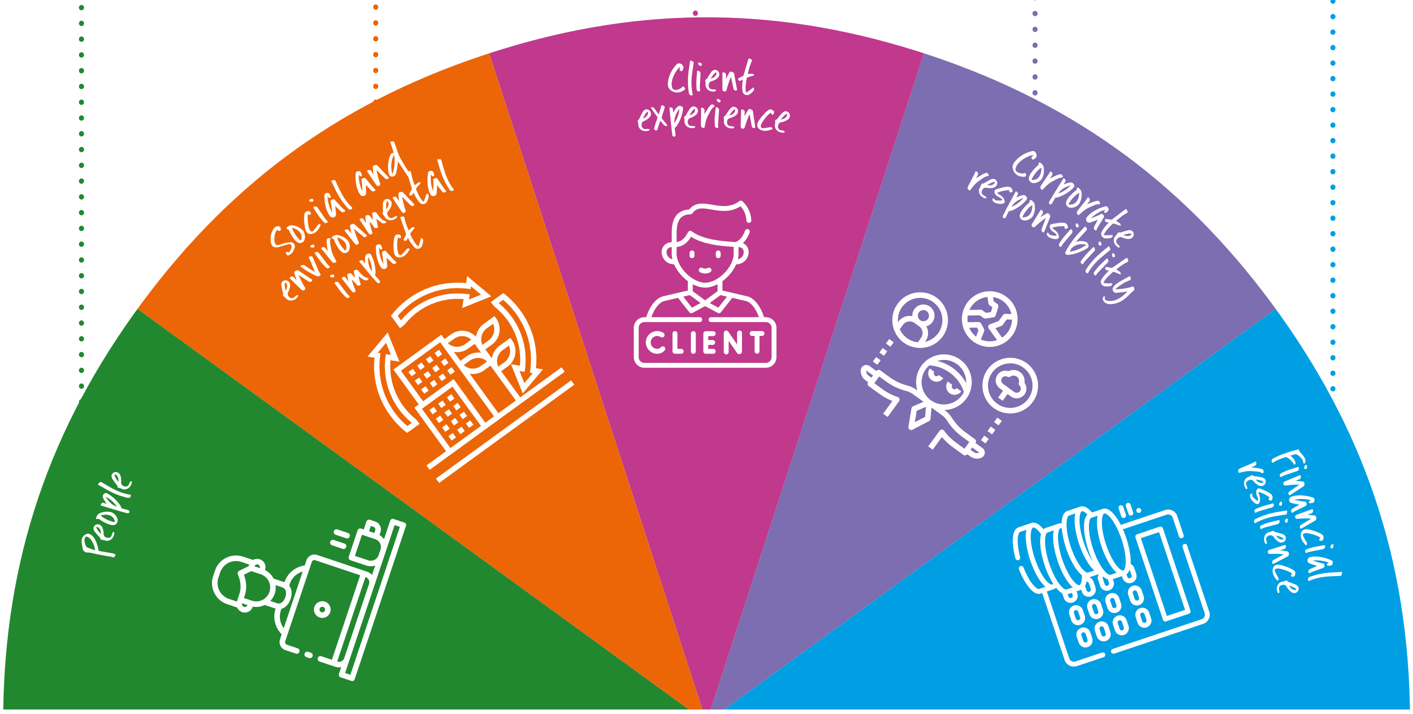
Further build colleague engagement, embed inspiring leadership approaches that align with outstanding client outcomes and focus on colleague wellbeing and inclusivity.

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.



Risk management

Principal risks and uncertainties

Risk management

Risk management is fundamental to Transform's operation. We assess risks scrupulously on an ongoing basis to monitor 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 committees for their respective risks. 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.

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. Our framework also ensures 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:

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 continues to be much uncertainty in the UK and global economies post-pandemic and as a result of the war in Ukraine. Increases in energy prices inflation and interest rates are causing operational pressures for Transform and increased cost of living for clients and colleagues.

General controls and mitigations

- Business plan stress testing with appropriate mitigations identified.
- Ensuring all support contracts are secured on a full cost recovery basis.
- Ensuring we secure best value through any procurement to optimise income.

Inability to recruit and retain high-quality staff

Risk

Challenges recruiting and retaining colleagues who meet our role requirements.

Details and specific risk mitigations

The after-effects of the pandemic have resulted in a severe labour and skills shortage for organisations across the UK. This has presented a continuing challenge for recruitment, selection and retention within a strongly competitive recruitment market.

General controls and mitigations

- Increased agility in our recruitment, with a process review in 2022.
- Optimising salary and benefits, alongside benchmarking to ensure that we are competitively positioned.
- Enhanced marketing through social media, a refreshed website and, improved connectivity between the website and candidate tracking system.

Effectiveness of financial controls

Risk

Financial policies and procedures that require updating to strengthen controls.

Details and specific risk mitigations

We continue to review key financial procedures to ensure they are robust and effective. This is being led by the Director of Finance who was appointed in August 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 and a new purchase order system has been implemented.

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 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 Networks, which provide a fully managed IT digital system for Transform, means we have an immediate response process 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 awareness raising as well as data protection and cyber-security training.
- Robust business continuity planning.

Financial hardship to clients and impact on their wellbeing

Risk

Clients suffering from physical/mental health and wellbeing issues due to financial hardship affecting their progress

Details and specific risk mitigations

The current economic climate is having a huge impact on clients. Many are unable to afford the increases in cost of living caused by rising food costs, increased energy prices coupled with income which doesn't keep pace with inflation. This can lead to increased financial hardship, with bigger arrears/bad debts, as well as having a negative impact on their mental health and wellbeing.

General controls and mitigations

- Provision of hardship fund and ongoing signposting to other organisations who can provide support.
- Personal service charges capped below inflation.
- Review of the rent arrears processes to ensure early intervention to support clients to better manage their rent accounts.
- Distribution of funding from Surrey County Council's Household Relief Fund.
- Money from fundraising being used to support clients' cost-of-living expenses.

Regulatory intervention

Risk

A regulatory notice from the Regulator of Social Housing

Details and specific risk mitigations

In January 2022, we self-reported to the Regulator of Social Housing an error we had identified in rent calculations. A comprehensive action plan was implemented to rectify the error.

General controls and mitigations

- Delivery of a governance continuous improvement plan.
- Robust resourcing and monitoring of governance at Transform.

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 our income over the years and have re-secured existing contracts with Wokingham Borough Council, the Office of Police and Crime Commissioner, Crawley Borough Council and the London Borough of Sutton.

During this past year we have also successfully negotiated additional funding for a capital development project from the Department of Health along with revenue funding to increase the number of units we provide for young people.

General controls and mitigations

- Maintain relationships with local authorities within our area of operations.
- 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 and 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.
- Appropriate insurance for our business activities.

Safeguarding clients

Risk

Inability to discharge our duty of care in relation to safeguarding requirements.

Details and specific risk mitigations

We work in partnership with other organisations to protect those at risk and prevent incidents that could result in harm to the young people or vulnerable adults we support. We have a clear safeguarding policy aligned to our commissioners' requirements and ensure all colleagues are clear about safeguarding processes by providing regular, compulsory training.

General controls and mitigations

- The safeguarding policy is reviewed annually with input from the Client Forum.
- Safeguarding guidance is provided for all clients and for colleagues.
- A whistleblowing policy allows safeguarding concerns to be raised.
- Working with local partners to ensure familiarity with multi-agency procedures.
- Stringent vetting processes including enhanced DBS checks.

The Board closely monitors the risk environment to identify changes in key risks as well as new or emerging risks. The sub-committees of the Board also review the risks relevant to their remit every quarter. 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.

Governance, regulation and compliance

Governance

Board of Trustees

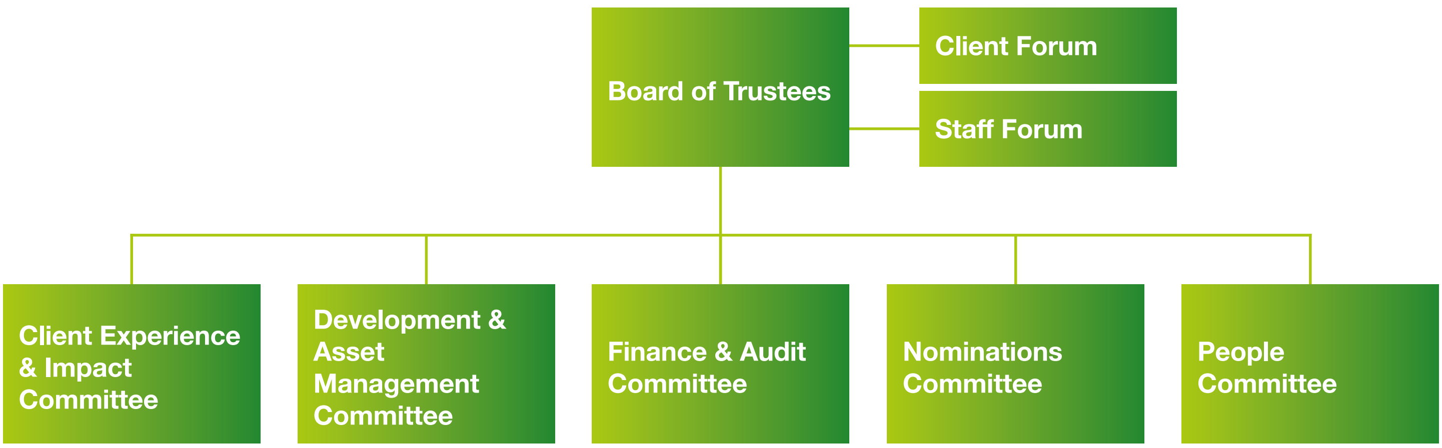
During 2022/23, the Board comprised nine members and was responsible for Transform's strategy, policy framework and managing the affairs of the company. The Board members were drawn from a wide background bringing together professional, commercial and local experience.

Trustees are selected by the Nominations Committee following public advertisement for recruitment. During the year we appointed two new Trustees, Sanjay Gulati and Alec Sanderson, enhancing Board skills in supported housing, digital and IT.

Those Board members who served during the period to 31 March 2023 and Transform's Executive Team are set out on page 2. The Trustees are also appointed as directors under the Companies Act 2006.

Board and committee structure

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



Board and committee membership 2022/23

Trustees	Board	Client Experience & Impact Committee	Development & Asset Management Committee	Finance & Audit Committee	Nominations Committee	People Committee
Mark Austen	Chair				Chair	
Jane Bolton (retired September 2022)	Member	Member			Member	Member
Julie Bradley	Member	Member		Member		Chair
Chris Deacon (retired September 2022)	Member	Chair (until July 2022)		Member		
Sanjay Gulati (appointed July 2022)	Member	Member		Member		
Natalia Kolotneva	Member		Chair (from November 2022)	Member		Member
Paul Rees	Member		Member	Chair		
Michael Ryan	Member		Member			Member
Alec Sanderson (appointed December 2022)	Member		Member			
Ollie Smedley	Deputy Chair		Member	Member	Member	
Katie Wadey	Member	Chair (from November 2022)	Chair (until May 2022)			

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 a number of key matters including:

- overseeing the implementation of Transform's corporate strategy and objectives
- reviewing, updating and overseeing implementation of the governance framework
- approving the recruitment of two new Transform Trustees
- considering partnership and merge opportunities
- overseeing the 50th anniversary celebrations
- approving all new/updated Transform policies.

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

Please see below key matters discussed and approved at the five committees during 2022/23.

Committee	Key matters 022/23
Client Experience & Impact	▪ Maintained oversight on client services' performance. ▪ Reviewed and approved all client-facing policies following input from the Client Forum. ▪ Recommended to the Board the appointment of two individuals with lived experience as formal members of the committee for an initial one-year term. ▪ Approved the new Emergency Out of Hours Support Service policy. ▪ Approved the updated and refreshed client handbook.
Development & Asset Management	▪ Maintained oversight of asset management compliance and performance. ▪ Approved property investment and disposal decisions. ▪ Oversaw health and safety compliance.
Finance & Audit	▪ Maintained oversight on financial and risk management. ▪ Oversaw internal/external audits and approved the internal audit plan. ▪ Approved and oversaw the implementation of the Cyber-security improvement plan. ▪ Reviewed the Business continuity plan and provided input to the Governance plan.
Nominations	▪ Reviewed Board/committee composition. ▪ Recommended Board appointments – Sanjay Gulati and Alec Sanderson. ▪ Reviewed succession planning for Board/Executives. ▪ Approved and oversaw the management of the appointment process for a new Chair.
People	▪ Endorsed the proposals arising from the review of the Transform pension schemes and recommended a new supplier and pension scheme to the Board. ▪ Agreed and recommended to the Board a cost-of-living payment to all colleagues. ▪ Endorsed the salary benchmarking proposals and recommended them to the Board. ▪ Approved diversity training for the Board and a new EDI action plan for Transform. ▪ Agreed and maintained oversight of wellbeing activity including financial wellbeing seminars, mental health first aider training and menopause training.

Trustee training

In addition to the two new Trustees undertaking induction training, Trustees have also carried out a Risk management workshop, Equality, diversity and inclusion and Cyber security training. Trustees are also encouraged to attend events and networking opportunities held by recognised sector bodies such as the National Housing Federation.

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 board effectiveness review was carried out in February and March 2023, with the findings being disseminated to the Board in May 2023. The review provided confidence of a dedicated and effective Board of Trustees overseeing a well-managed and governed organisation. An action plan to further strengthen board effectiveness will be overseen by the Board.

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 of the code including the provisions in relation to:

- 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.

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 2023.

In preparing this strategic report and board 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

Transform fully complies with all the regulators that are relevant to our activities; these are the Regulator of Social Housing, the Charity Commission and the Fundraising Regulator.

Regulator of Social Housing

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

Charity Commission 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 have regard to 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 takes this into account when making relevant decisions.

Fundraising Regulator's code compliance

The Code of Fundraising Practice sets out the responsibilities that apply to fundraising carried out by charitable institutions in the UK. 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.

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. We do not use any external professional fundraising services. We use the Fundraising Regulator's logo on fundraising communications. Transform has not 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 the year. We received no complaints relating to fundraising in the year to 31 March 2023.

Complaints

We carry out an annual self-assessment of our complaints policy against the Housing Ombudsman Service's Complaint Handling Code and for 2022/23 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.

Information compiled for each complaint received, includes (where relevant):

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

In 2022/23, Transform received a total of 17 formal complaints (2022:23). No complaints were referred to the Housing Ombudsman during the year.

Despite the pressures on teams, the number of complaints has decreased in 2022/23. Potential complaints from clients are being handled effectively at a local level and so do not necessarily escalate to the more formal complaints procedure. However, complaints from external sources are always progressed through the complaints procedure until resolution.

All but two complaints have been successfully resolved. These two remain open and we are liaising with the complainants to ensure they are resolved to the satisfaction of all parties.

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.

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 directors 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 and Trustees must be able to disclose with reasonable accuracy at any time the financial position of the company and enable it to ensure 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 2022. It is also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

- there is no relevant audit information of which the Transform's auditor is unaware; and
- the Board has taken all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

The Board is responsible for the maintenance and integrity of the corporate and financial information, including that provided on Transform'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 2022 to the date of Board approval (27 July 2023).

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. Internal Audit reported directly to the Committee and a risk-based internal audit plan was prepared and approved by the Committee. 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 undertaken to check recommendations had been implemented. Transform appointed new internal auditors, RSM UK during 2022/23.

External audit

The work of the external auditors provides assurance through the audit plan 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 on client services, client satisfaction and complaints, compliance, asset management, development, colleagues 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 2022/23 there were no such incidents of fraud reported.

Regulatory reporting

Transform submitted a range of regulatory returns to the Regulator of Social Housing and the Charity Commission. The Executive Team ensures that regulatory matters are dealt with promptly and efficiently, 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 were re-appointed as external auditor at our Annual General Meeting (AGM) on 29 September 2022. A resolution for the appointment of external auditors will be proposed at the AGM on 28 September 2023.

By order of the Board.

Mark Austen
Chair
8 August 2023

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 2023 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 2023 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 2022.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the 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 the period of at least 12 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) have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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

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

Responsibilities of Board Members

As explained more fully in the Statement of Board's Responsibilities on page 35, 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, are as follows:

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 2022 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 (other than rent and service charge income) 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 group's 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

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

7 September 2023

Financial statements and notes to the accounts

Statement of comprehensive income for year ending 31 March 2023

	Note	2023 £000s	2022 £000s
Turnover	3	**11,270**	**10,570**
Operating expenditure	3	**(10,294)**	**(10,315)**
Underlying operating surplus		**976**	**255**
Gain on disposal of housing properties	9	**114**	**211**
Donation of Wey Valley Housing Association (WVHA) net assets	30	**-**	**684**
Operating surplus/(deficit)		**1,090**	**1,150**
Interest receivable	7	18	5
Interest and other financing costs	8	(539)	(412)
Surplus for the year		**569**	**743**
Other comprehensive income			
Actuarial (loss) in respect of pension scheme		(23)	(81)
Total comprehensive income for the year		546	662

The accompanying notes form part of these financial statements.

Mark Austen
Chairman

Paul Rees
Chair of the
Finance & Audit Committee

Mandy Arnold
Company Secretary

Statement of financial position as at 31 March 2023

	Note	2023 £000s	2022 £000s
Fixed assets			
Tangible fixed assets – housing properties and other fixed assets	11	55,561	52,817
Current assets			
Trade and other debtors	12	1,834	818
Cash and cash equivalents	13	1,238	2,667
		3,072	3,485
Creditors: amounts falling due within one year	14	(2,794)	(2,583)
Net current assets		278	902
Total assets less current liabilities		55,839	53,719
Less: creditors – amounts falling due after more than one year	15	(27,870)	(26,288)
Pension – defined benefit liability	24	(195)	(203)
Other provisions for liabilities and charges	19	(-)	(-)
Total net assets		27,774	27,228
Capital and reserves			
Restricted reserve		409	294
Designated reserves		250	(-)
General reserve - invested in property		26,996	25,950
- free reserve		119	984
		27,774	27,228

The accompanying notes form part of these financial statements. The financial statements were issued and approved by the Board on 8 August 2023.

Company number: 01057984

Mark Austen

Mark Austen
Chairman

Paul Rees
Chair of the
Finance & Audit Committee

Mandy Arnold
Company Secretary

Statement of changes in reserves for year ending 31 March 2023

	Restricted reserves	Designated reserves	General reserves		Total
			Invested in properties	Free reserves	
	£000s	£000s	£000s	£000s	£000s
Balance at 1 April 2021	237	-	25,260	1,069	26,566
Surplus for the year as restated	-	-	743	-	743
Other comprehensive income for the year	-	-	(81)	-	(81)
Total comprehensive income for the year	-	-	662	-	662
Transfer between reserves	57	-	28)	(85)	-
At 31 March 2022	**294**	**-**	**25,950**	**984**	**27,228**
Surplus for the year	-	-	569	-	569
Other comprehensive income for the year	-	-	(23)	-	(23)
Total comprehensive income for the year	-	-	546	-	546
Transfer between reserves	115	250	500	(865)	-
At 31 March 2023	409	250	26,996	119	27,774

The accompanying notes form part of these financial statements.

Statement of cash flows for the year ending 31 March 2023

	Note	2023 £000s	2022 £000s
Net cash generated from operating activities	22	1,938	1,598
Purchase and refurbishment of housing properties		(4,004)	(2,820)
Proceeds from sale of tangible fixed assets	9	157	298
Cash received on merger	30	-	176
Merger expenses	30	-	(34)
Grants received		1,393	1,112
Grants repaid		-	-
Interest received		18	5
Net cash used in investing activities		(2,436)	(1,263)
Interest paid		(571)	(409)
Further borrowing		-	455
Repayment of borrowings		(360)	(270)
Net cash used in financing activities		(931)	(224
Net change in cash and cash equivalents		(1,429)	111
Cash and cash equivalents at:			
Beginning of the year		2,667	2,556
End of the year		**1,238**	**2,667**

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.

2. Accounting policies

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

Basis of accounting
The financial statements have been prepared in accordance with the UK Generally Accepted Accounting Practice (UK GAAP) including Financial Reporting Standard 102 (FRS 102) and the Housing SORP 2018: Statement of Recommended Practice for Registered Social Housing Providers. They comply with the Accounting Direction for Private Registered Providers of Social Housing 2022.

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

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

Transform has considered the business activities and current financial position and 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 out 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 company has in place adequate long-term debt facilities to fund commitments on the strategic investments and development programmes, along with the organisation's day-to-day operations. The company'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 multi-variant 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 and potential impact on Transform by way of shortages in accessing fresh capital and EU workers, alongside increasing staffing costs, stretched supply chains and the effect of property valuation.

Transform had adopted various approaches to mitigate against risks for example delaying uncommitted non-essential expenditure, implementing efficiencies in our procurement processes and closely monitoring increased regulatory costs such as fire safety expenditure. 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 company's ability to meet its obligations.

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

Significant management judgements
There were no significant judgements in applying the accounting policies for the company that have the most significant effect on the amounts recognised in the 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 for impairment by reviewing our triggers. 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. There were no active members within the company's defined benefit plan and the assumptions were in line with actuarial recommended rates. Variations in these assumptions may significantly impact the liability and the annual defined benefit expenses (see note 24). The net defined benefit pension liability at 31 March 2023 was £195,000.
- **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 obsolesce that may change the utility of certain software and IT equipment and changes to decent homes standards which may require more frequent replacement of key components. As at 31 March 2023 the carrying amount of the housing properties was £64.0 million and accumulated depreciation was £9.3 million.

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

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

Donation of net assets – in a merger or otherwise, when an entity donates its assets and liabilities to Transform, the donated assets and liabilities are recognised at their fair value. Any excess of the net fair value of assets and liabilities donated over costs incurred is then recorded as an exceptional income within the Statement of Comprehensive Income. 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 clients are also classed as basic instruments and need to be measured at their present value. Our assessment shows that Transform has a limited number of such agreements at the year end, and these are not considered to be material. Transform does not have any other financial instruments falling into the category of financing transactions.

Housing properties and depreciation

Housing properties are properties held for the provision of social housing or otherwise to provide social benefit. Housing properties are principally properties available for rent and stated at cost less accumulated depreciation and impairment losses. Cost includes the cost of acquiring the land and building, development costs, and the interest cost capitalised during the development period. Works to existing properties which replaces a component that has been treated separately for depreciation purposes, along with those works that result in increase in net rental income over the lives of the properties, thereby enhancing the economic benefits of the assets, are capitalised as improvements.

Housing properties under construction are stated at cost and are not depreciated. Donated land and other assets are included within costs at fair value, at the time of the transfer.

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

Depreciation is charged over the estimated useful lives of the structure and 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 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 regards 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 of (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
Other tangible fixed assets are measured at cost, less accumulated depreciation. Depreciation is provided evenly throughout the assets' estimated useful lives..

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

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

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

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

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

Cash and cash equivalents
This includes all forms of cash and deposits repayable on demand, overdraft repayable on demand and short-term deposits held with various banks. These cash balances are used in our cash flow statements and future cash projections.

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

Pension
During this period, Transform has participated in the following contribution pension schemes – the group personal pension scheme operated by Aviva Group (Friends Life), the Social Housing Pension Scheme (SHPS) defined contributions scheme and 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 company has a present obligation as a result of a past event, and it is probable that the company is required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

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

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

Reserves
The reserves comprise the general reserves, the designated reserves and restricted reserves. The restricted reserves are provided by donors to be spent on specific client activities, designated reserves are reserves allocated by the Board for a specific future purpose and general reserves have no restrictions on their use. Transform's reserve policy is shown in the strategic report on page 8.

Free reserves
Free reserves are general 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 general reserves.

3. Particulars of turnover, operating expenditure and operating surplus

2023	Note	Turnover	Operating expenditure	Operating surplus (deficit)
		£000s	£000s	£000s
Continuing operations				
Social housing lettings	4	7,534	(7,141)	393
Other social housing activities				
Housing related support income		3,386	(3,043)	343
Charitable donations		335	(104)	231
Other income		15	(6)	9
		11,270	(10,214)	976
Gain on disposal of property, plant and equipment	9			114
				1,090

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

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

	Note	2022	Restated 2021
		£000s	£000s
Rents receivable net of identifiable service charges		4,424	4,443
Charges for housing related support services		1,182	1,027
Service charges income		1,707	1,779
Amortised government grants	16	221	213
Turnover from social housing lettings	3	7,534	7,462

Operating expenditure:			
Service charge costs		1,929	1,690
Management		2,126	2,099
Routine maintenance		1,184	1,301
Planned maintenance		174	558
Bad debts		162	63
Property charges – lease/management agreement		457	431
Depreciation of housing properties	11	944	916
Abortive costs	11	103	-
Other costs		62	63
Operating expenditure on social housing lettings	3	7,141	7,121
Operating surplus on social housing lettings	3	393	341
Void losses		(335)	(269)

5. Directors and key management personnel salary cost

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

	2023 £000s	2022 £000s
Aggregate emoluments including pension scheme contributions, payable to:		
Executive Team (2023: 7.0 FTEs, 2022: 6.0 FTEs)	561	502
The highest paid Executive member:		
Emoluments	116	113
Pension contributions	11	10

The Executive team represents the key management personnel under FRS 102 and their aggregate emoluments including employer's national insurance contributions were £618,000 (2022: £545,000). There were no compensation payments for loss of office to any previous members of the Executive Team (2022: nil). The Chief Executive was the highest paid Executive member during the year. His pension arrangements are the same as other colleagues – a money-purchase pension scheme with no additional benefits.

6. Employee information

The average number of employees employed (headcount)	2023 Number	2022 Number
Housing and support staff	89	89
Administration staff	34	40
Maintenance staff	8	8
	131	137

The average number of employees employed (FTEs)	2023 Number	2022 Number
Housing and support staff	76	78
Administration staff	29	33
Maintenance staff	7	7
	112	118

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

Staff costs for the above persons:	2023 £000s	2022 £000s
Wages and salaries	3,653	3,792
Social security costs	346	327
Other pension costs	156	162
	4,155	4,281

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

The average number of employees employed (headcount)	2023	2022
More than £60,000 but not more than £70,000	3	2
More than £70,000 but not more than £80,000	2	2
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

	2023	2022
	£000s	£000s
Interest from bank deposits	18	5

8. Interest and financing costs

	2023	2022
	£000s	£000s
Interest payable on bank loans	534	409
Net interest expense on SHPS pension scheme	5	3
	539	412

9. Surplus on property disposal

	2023	2022
	£000s	£000s
Disposal proceeds	157	298
Carrying cost of the property	(43)	(87)
	114	211

There was no capital grant allocation that requires recycling.

10. Surplus for the year

	2023	2022
	£000s	£000s
The operating surplus is arrived at after charging:		
Depreciation of housing properties	944	916
Depreciation of other tangible fixed assets	226	206
Surplus on disposal of property, plant and equipment	114	211
Operating lease rentals:		
Land and buildings	473	458
Other leases	45	46
Auditor's remuneration (excluding VAT):		
Audit fees	31	25
Other services	3	3

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 2022	59,777	632	60,409	1,552	61,961
Additions	2,273	1,255	3,528	132	3,660
Aborted costs	-	(103)	(103)	-	(103)
Works to existing properties.	401	-	401	-	401
Disposals	(210)	-	(210)	(17)	(227)
At 31 March 2023	**62,241**	**1,784**	**64,025**	**1,667**	**65,692**
Depreciation					
At 1 April 2022	8,543	-	8,543	601	9,144
Charges for the period	944	-	944	226	1,170
Disposals	(166)	-	(166)	(17)	(183)
At 31 March 2023	**9,321**	**-**	**9,321**	**810**	**10,131**
Net book value					
At 31 March 2023	**52,920**	**1,784**	**54,704**	**857**	**55,561**
At 31 March 2022	**51,234**	**632**	**51,866**	**951**	**52,817**

Housing properties book value, net of depreciation, comprises:

	2023	2022
	£000s	£000s
Freehold land and buildings	45,614	44,508
Long leasehold land and buildings	7,476	5,649
Short leasehold land and buildings	1,614	1,709
	54,704	51,866

12. Debtors

	2023 £000s	2022 £000s
Due within one year		
Rent and service charges receivable	703	506
Less: provision for bad and doubtful debts	(503)	(409)
	200	97
Trade debtors	795	173
Other debtors	361	163
Prepayments and accrued income	478	385
	1,834	818

13. Cash and cash equivalents

	2023 £000s	2022 £000s
Cash in bank and in hand	1,238	2,667

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

14. Creditors: amounts falling due within one year

	Note	2023 £000s	2022 £000s
Housing loans		460	360
Deferred grant income		235	221
Trade creditors		817	439
Loan interest due		69	107
Rent and service charges received in advance		233	555
Recycled capital grant fund		50	50
Capital accruals and retentions		65	8
Other creditors		395	507
Other taxation and social security		96	85
Other accruals and deferred income		374	251
		2,794	2,583

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

	Note	2023 £000s	2022 £000s
Housing loans		12,836	13,248
Deferred grant income		15,034	13,040
Recycled capital grant fund		-	-
		27,870	26,288

16. Deferred grant income

	2023 £000s	2022 £000s
Balance at 1 April	13,260	12,195
Grant received in the year	2,230	1,175
Grant transferred from Recycled Capital Grant Fund	-	103
Released to Statement of Comprehensive Income	(221)	(213)
Balance at 31 March	15,269	13,260

Deferred income to be released to the Statement of Comprehensive Income		
Amount to be released in **less than one year**	235	221
Amount to be released in **more than one year**	15,034	13,039
	15,269	13,260

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

	2023 £000s	2022 £000s
Due within **one year**	460	360
Due after **more than one year**		
Loan	12,980	13,440
Less: issue costs	(144)	(192)
	12,836	13,248
	13,296	13,608

We have the following loan facilities in place:

- Barclays Bank (Facility A) £5.9 million – fully drawn (2022 – fully drawn) (expires July 2029).
- Barclays Bank (Facility B) £6.5 million – fully drawn (2022 – fully drawn) (expires August 2025).
- Unity Trust Bank £7.5 million – £1.0 million drawn (2022 – £1.0 million drawn) (expires January 2031).

Repayment profile:

- Within one year: £460,000 (2022 – £360,000).
- One year or more but less than two years: £560,000 (2022 – £460,000).
- Two years or more but less than five years: by instalments of £1.8 million (2022 – £1.7 million) and bullet payment of Barclays Bank (Facility B) £6.5 million (2022 – £6.5 million).
- More than five years: £4.2 million (2022 – £4.8 million).

Of the drawn loan facility £10.0 million is on fixed interest rates and divided into several fixed-rate loan tranches with Barclays Bank. These tranches have different interest rates ranging from 1.4% 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 Bank) 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

	2023	2022
	£000s	£000s
Balance at 1 April	50	153
Recycling of grants – new build	-	(103)
Grant repaid	-	-
Interest on grant fund	-	-
Balance at 31 March	50	50

	2023	2022
	£000s	£000s
Due within **one year**	50	50
Due after **more than one year**	-	-

19. Provisions for liabilities and charges

	2023	2022
	£000s	£000s
Balance at 1 April	-	182
Spend in the year	-	(164)
Release of provision	-	(18)
Increase in provision	-	-
Balance at 31 March	-	-

During 2022 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. No further provisions were required in 2023.

20. Financial and other commitments

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

	2023	2022
	£000s	£000s
Expenditure contracted for but not provided in the Financial statements	525	420
Expenditure authorised by the Board but not yet contracted	-	3,085

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.

	2023 Property £000s	2023 Others £000s	2022 Property £000s	2022 Others £000s
Within one year	448	11	460	26
Between one and five years	1,290	10	987	35
Over five years	844	-	873	-
At 31 March 2023	**2,582**	**21**	**2,320**	**61**

21. Social housing units

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

	2023 £000s	2022 Restated £000s
Supported housing units	798	793
Housing for older people units	113	112
Total owned and managed	911	905
Not owned but managed	30	30
	941	935

22. Notes to the statement of cash flow

	2023	2022 Restated
	£000s	£000s
Surplus for the year	**569**	**743**
Adjustments for non-cash items		
Surplus on disposal of property, plant and equipment	(114)	(211)
Depreciation of tangible fixed assets	1,170	1,122
Donation on merger	-	(684)
Amortisation of loan arrangement fee	48	33
	1,776	1,003
Movements in working capital		
(Increase)/decrease in debtors	(180)	712
Increase/(decrease) in creditors	78	(270)
	1,674	1,445
Adjustments for investing or financing activities		
Government grants amortised in the year	(221)	(213)
Aborted development costs	103	-
Pension costs less contributions	(36)	(41)
Interest payable	539	412
Interest received	(18)	(5)
Net cash generated from operating activities	1,938	1,598

23. Analysis of changes in net debt

	At 1 April 2022	Cash flow	Non-cash changes	Total
	£000s	£000s	£000s	£000s
Housing loans				
Due in less than one year	360	(360)	460	460
Due after more than one year	13,248	-	(412)	12,836
	13,608	(360)	48	13,296
Cash at bank and in hand	(2,667)	1,429	-	(1,238)
At 31 March 2023	**10,941**	**1,069**	**48**	**12,058**

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. The scheme is classed 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 2023 by a qualified independent actuary.

The net defined benefit liability at the year ended 31 March 2023 is £195k (2022: £203k). 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 2023	31 March 2022
	£000s	£000s
Fair value of plan assets	808	1,096
Present value of the scheme liabilities	1,003	1,299
Deficit in plan	(195)	(203)
Defined benefit liabilities to be recognised	(195)	(203)

Reconciliation of the opening and closing present value of scheme liabilities

	2023	2022
	£000s	£000s
Opening Scheme liability	1,299	1,395
Expenses	3	3
Interest expense	35	28
Actuarial (losses)/gains	(279)	(75)
Net benefits paid	(55)	(52)
Closing scheme liability	1,003	1,299

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

	2023	2022
	£000s	£000s
Opening fair value of the plan assets	1,096	1,236
Interest income	30	25
Return on plan assets	(302)	(156)
Contributions by the employer	39	43
Benefits paid	(55)	(52)
Fair value of assets	808	1,096

The actual return on plan assets (including any changes in share assets) over the period from 31 March 2022 to 31 March 2023 was £272,000.

Amounts recognised in the surplus

	2023	2022
	£000s	£000s
Amounts charged to operating costs	3	3
Amounts charged to interest costs	5	3
Total charge for the year	8	6

Defined benefits costs recognised in the other comprehensive income

	2023 £000s	2022 £000s
Experience to plan assets (excluding amounts included in net interest cost) – gain (loss)	(302)	(156)
Experience gains and losses arising on plan liabilities – gain (loss)	(28)	(18)
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation – gain (loss)	3	24)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation – gain (loss)	304	69
Total amount recognised in other comprehensive income – gain (loss)	**(23)**	**(81)**

Principal actuarial assumptions: Financial assumptions

	31 March 2023 % per Annum	31 March 2022 % per Annum
Discount rate	4.90	2.78
Future salary increase	3.21	3.77
Inflation (RPI)	2.67	3.28
Inflation (CPI)	3.67	4.28
Allowance for commutation of pension for cash at retirement	75% of max. allowance	75% of max. allowance

Mortality assumptions

	31 March 2023	31 March 2022
	Life expectancy at age of 65 years	
Male retiring in 2023	21.0	21.1
Female retiring in 2023	23.4	23.7
Male retiring in 2043	22.2	22.4
Female retiring in 2043	24.9	25.2

Analysis of pension scheme assets

	31 March 2023	31 March 2022
	£000s	£000s
Global equity	15	210
Absolute return	9	44
Destressed opportunities	24	39
Credit relative values	31	36
Alternative risk premia	2	36
Hedge fund funds	-	-
Emerging markets debts	4	32
Risk sharing	59	36
Insurance linked securities	20	26
Property	35	30
Infrastructure	92	78
Private debt	36	28
Opportunistic illiquid credit	35	37
High yield	3	9
Opportunistic credit	-	4
Cash	6	4
Corporate bond fund	-	73
Liquid credit	-	-
Long lease property	24	28
Secured income	37	41
Liability driven investments	372	306
Currency Hedging	2	(4)
Net current assets	2	3
	808	**1,096**

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, below, we report performance on a cash basis. Based on the accounting policy, fundraising income is usually recognised in the financial statements on a receivable basis.

	2023	2022
	£000s	£000s
Fundraising cash generated		
Fundraising cash	335	142
Fundraising costs		
Salary costs	44	57
Other costs	60	21
	104	78
Net fundraising contributions	231	64
Return on investment (ROI)	**3.22**	1.82
Fundraising cost ratio	**31%**	**55%**
Allocation of funds		
Capital projects		
Redhill modular development	43	-
Revenue projects		
For specific client groups/projects	292	142
Total fundraising cash allocation	**335**	142

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	2023	2022
	No	No
At 1 April	23	23
Joining during the year	2	1
Leaving during the year	(3)	(1)
At 31 March	22	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 ceases to be used for social housing, the grants may be repayable in full.

Total grants received:	2023	2022
	£000s	£000s
Grants credited to the income statement or arising on merger/acquisition	9,959	9,738
Deferred grants (note 16)	15,269	13,260
	25,228	22,998

29. Taxation status

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

30. Donation of WVHA 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 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

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

01372 387100

www.transformhousing.org.uk

info@transformhousing.org.uk