

### **Contents**

- 2 About Transform Housing & Support
- 4 Highlights, facts and figures 2020-21
- 5 Transform client and colleague quotes
- 6 Our Chairman reflects on 2020-21

#### Strategic report

- 8 Key strategic achievements 2020-21
- 11 Future plans strategic objectives 2021-24
- 12 Social impact client outcomes
- 14 Financial performance
- 16 Value for money
- 17 Our approach
- 21 Social value success story
- 22 Jon's story
- 24 Improvements in Jon's wellbeing
- 25 Risk management
- 26 Principal risks and uncertainties
- 29 Governance, regulation and compliance
- 30 Governance
- 32 Regulation and compliance
- 33 Statement of Board responsibilities

#### Auditor's report and financial statements

- 36 Auditor's report
- 40 Financial statements and notes to the accounts



# **About Transform Housing & Support**

Transform is a registered provider of social housing and support to more than 1,800 people each year. With a central office in Leatherhead, Surrey, Transform covers Surrey and surrounding areas including West Sussex, Berkshire and south west London. Many Transform clients are homeless, feel excluded from society, are battling multiple health challenges and often have little, or no, family support. We not only offer many individuals a safe place to live and somewhere to call their own, we also provide the support they need to prosper in their own home. Transform keyworkers empower clients to live happier, healthier and more fulfilling lives.

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#### **Deputy Chair and Senior Independent Director**

Oliver Smedley FCMA

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Robert Mills BA (Hons) MCIH (retired September 2020)

Paul Rees MA FCA

Michael Ryan (appointed June 2020)

David Turner DSc FRICS (retired September 2020)

Katie Wadey

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Development & Asset Management

Chair: Katie Wadey

Finance & Audit Chair: Paul Rees

Nominations

Chair: Mark Austen

People

Chair: Julie Bradley

#### **Executive team**

#### **Chief Executive**

Lawrence Santcross

### Director of Asset Management & Capital Development

Michael O'Brien (appointed as Director October 2020)

#### Director of Asset Management & New Business

Andrea Cannon (retired August 2020)

#### **Director of Client Services**

Adele Duncan

#### **Director of Finance & Resources**

Ratna Sukumaran

#### **Director of People**

Simone Bartley

#### **Head of External Affairs & Communications**

Anita Gupta



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Bernard Stevens FCA FCMA

Lady Elizabeth Toulson CBE DL

Paul Wates FRICS

Cllr Fiona White

Malcolm Young FRICS

#### **Company Secretary**

Ratna Sukumaran

#### **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: 01057984

Registered provider of social housing: H2452

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

#### **Auditor**

Nexia Smith & Williamson LLP 25 Moorgate London, EC2R 6AY

#### **Principal solicitors**

Devonshires Solicitors LLP 30 Finsbury Circus London, EC2M 7DT

#### **Banker**

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

# Highlights, facts and figures 2020-21

Previous year's figures in brackets



#### 1,591 housing and support clients (1,734)

This reduced number is the result of fewer people accessing the Wokingham drop-in service due to Covid-19 restrictions.

**215** care clients (270)

#### **Client outcomes**



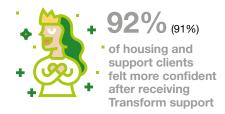
felt improvements

in emotional and mental wellbeing (short-term impact)





#### Client satisfaction



93% (95%) of housing and support clients were satisfied with the quality of **Transform accommodation** 



98% (99%)

of homecare clients were satisfied with the care and support they received

#### **Transform people**

At the time of publishing 85% colleagues had received their first Covid vaccinations.

Our colleague wellbeing survey found:

93%







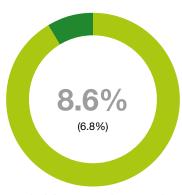
felt they have been given enough advice and support to do their job safely

65%

felt their Transform job contributed positively to their mental wellbeing



#### Financial performance



underlying operating margin (excluding exceptional items)



said they had been provided with the equipment needed to work from home effectively

# **Transform client and** colleague quotes





66

amazina!



call home.

99 -



vulnerable people.

99

Transferm Colle

# Our Chairman reflects on 2020-21

#### **Transform's Covid journey**

To say that 2020-21 was a challenging year would be more than an understatement. This was especially the case for the clients we support who have been among those facing the greatest difficulties during the pandemic.

I am, though, very proud of how we have weathered the Covid storm. All services have remained open, all care appointments carried out and all colleagues have gone above and beyond to ensure clients have continued to receive outstanding support from us, as shown by our client surveys.

During the year, Transform robustly followed the Government's social distancing, self-isolation and personal protective equipment (PPE) requirements.

Essential maintenance services have continued throughout the pandemic. We experienced the initial national shortage, and subsequent rapid cost increases, in PPE supplies. We managed this through effective planning and advanced purchasing. We also secured crucial additional grants from Surrey County Council and extra supplies of PPE and funding from external donors.

Colleagues working in our central support functions were provided with IT equipment to work from home.

#### **Vaccinations**

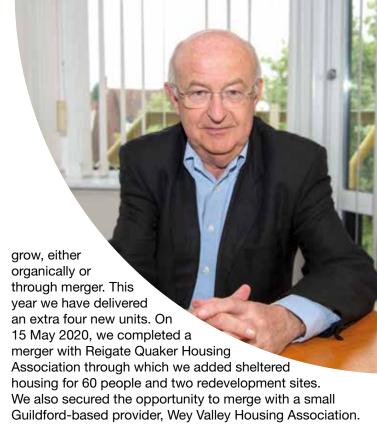
At time of publishing, 85% of Transform employees have confirmed they have received their first vaccination and 75% their second vaccine. A large number of Transform clients have also now had their jabs.

#### Winter shelter/Covid cabins

Covid put those who were homeless in even greater peril. Transform teamed up with Elmbridge Borough Council, Rentstart, Molesey Churches Night Shelter and other organisations, and, with support from Surrey County Council and Public Health England, installed temporary accommodation in the form of 12 studio cabins in Elmbridge. The cabins took a number of the most vulnerable people – including some with Covid – off the streets and gave them respite during the winter months while reducing the spread of the virus. We are delighted that the cabins have now been relocated to Camberley, after Surrey County Council and Surrey Heath Borough Council secured funding for them.

#### **Growth and development**

Transform has made significant advances during the year in developing its supporting systems, technology and processes with the aim of continually improving the way we deliver services. We also have a deliberate strategy to



#### Care sale

Transform took on care services four years ago. Since this time, we sought to strike a balance between providing the best services for clients and delivering them in a financially sustainable way. We were very proud of the high-quality care staff had been providing, however we were not able to achieve the level of financial viability we required to continue and grow the care services in a sustainable way. Following a review, we concluded that care would be better placed with a specialist provider. The care services were sold to Apex Prime Care on 28 February 2021.

#### In summary

As you will see from this report, Transform has continued to flourish and we are all looking forward enthusiastically and energetically to the future. We shall build further on the platform we have established and intend to bid successfully for new contracts as well as re-tender for existing ones. We hope to play an even greater leadership role in reducing homelessness in Surrey and the surrounding areas and refresh our property portfolio addressing its sustainability and future fitness.

Finally, we very much look forward to celebrating our 50<sup>th</sup> anniversary with you next year.

M. E. Ante

Mark Austen, Chairman



# Key strategic achievements – 2020-21

Despite the challenges this year, we have achieved our key objectives including keeping clients and colleagues safe. We discovered how agile colleagues could be in addressing Covid challenges while still ensuring clients received the support they needed.

#### **Achievement highlights**

#### **Clients**

- Kept the health and wellbeing of clients as our utmost priority during the Covid-19 pandemic – including all services remaining open, maintaining high support levels and continuing repair services.
- Arranged vital services such as food bank deliveries, pop-up Covid vaccine centres at some services and a Covid-secure cabin-based service in Elmbridge.
- Supported 1,806 (2020: 2,004) individuals, including 1,591 (2020: 1,734) housing and support clients, with 86% (2020: 82%) of clients who moved on from our services, doing so in a planned way.
- Maintained positive client outcomes and high satisfaction rates throughout the pandemic.

#### **People**

- Implemented a new pay structure based on sector salary benchmarking, introduced a reward strategy and a new benefits platform.
- Created a bespoke Transform leadership development programme.
- Supported the transfer to homeworking for many colleagues and developed comprehensive wellbeing resources including support for financial, mental, physical and Covid-19 wellbeing challenges.







#### **Growth and funding**

- Completed a merger with Reigate Quaker Housing Association acquiring 60 units of sheltered accommodation and two sites with development potential.
- Acquired a further three one-bedroom move-on flats funded through a grant from Homes England. We were also successful with bids to the Next Steps Accommodation Programme for five one-bedroom properties which we are running as our first Housing First model in partnership with Elmbridge Borough Council.
- Agreed terms for a merger with Wey Valley Housing Association comprising of 11 units of supported housing accommodation and completed related financial due diligence activity.
- Made successful bids for Covid funding with many donations in kind, including PPE and computers. Also received £110k in fundraising from donors.

#### **Developments within Transform**

- Modernised IT infrastructure through acquisition of new hardware, migration to Office 365 and cloud-based services. Implemented software upgrades on new HR and payroll systems and launched an intranet.
- Completed reviews of occupational/landlord health and safety, and compliance.
- Following a review, sold care services to another registered domiciliary care provider.
- Delivered a surplus which exceeded expectations in a challenging operating environment.







# Future plans – strategic objectives 2021-24

Further build colleague Use our resources engagement, embed inspiring leadership approaches that align with outstanding client impact, including outcomes and focus on colleague wellbeing measures to fully and inclusivity.

and partnerships to create positive social and environmental implementing 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.





# Social impact - client outcomes

Transform provides people with a home. We also enable them to take greater control of their lives and build their overall confidence by supporting them to address their challenges, learn life skills, improve their health and wellbeing, and participate in educational, training and employment opportunities.

During the year, 1,591 clients received housing-related support services from Transform, and 327 (86%) clients moved on in a planned way (2020: 82%). We also provided care for 215 clients between April 2020 and 28 February 2021 before the care services were sold.

Our main aim is to support clients to find a home and to live independent and fulfilling lives; we therefore seek to ensure that the accommodation and support we provide meets their needs and aspirations. To enable us to better understand how effective our services are and to continually improve, we carry out exit surveys as well as long-term outcome and client satisfaction surveys.

# Current housing and support client satisfaction

The 2021 client satisfaction survey compiled responses from clients across five aspects – what they thought of our services; how they felt our services had helped them; whether their personal wellbeing had improved; how we had supported them through the pandemic and how they felt we had dealt with complaints.

Highlights from housing and support clients' satisfaction survey (previous year in brackets)



96%

(n/a)

were satisfied with actions taken to keep them safe during the pandemic



82%

(84%)

feel their ability to manage their emotional/mental health has improved



87%

(86%)

feel their ability to manage their alcohol or drug use has improved

#### Homecare client satisfaction

The 2020 homecare survey covered questions across four areas – how satisfied clients were with our care services; how effective clients found us – including how well protected they felt from contracting Covid-19; complaints and compliments and their overall assessment of the care services received.

Highlights from homecare clients' satisfaction survey (previous year in brackets)



98%

(n/a)

of homecare clients felt protected from Covid-19 by the use of PPE



98%

(99%

of homecare clients satisfied with the care and support received



98%

100%)

of homecare clients satisfied that Transform staff treated them with dignity, respect and compassion



#### **Short-term impact of services**

When housing and support clients are ready to move on from Transform, we ask them to compare how they feel when leaving our services with how they felt when they began to receive support from us. The exit survey comprises exit questionnaires completed from April 2020 to March 2021.

**Highlights from 2020-21 exit survey** (previous year in brackets)



100% (100%) satisfied with t

satisfied with the quality of Transform accommodation



95% (97%) satisfied with the support received



90% (94%) feel more secure

# Long-term impact on outcomes

To obtain information on how services affect clients in the longer-term, we carry out an outcome survey each year. This year's survey, carried out in December 2020, collected the views of former clients who left Transform's services between four months and two and a half years ago.

**Highlights from 2020 long-term impact survey** (previous year in brackets)



95% (92%) feel happier



88% (91%) feel more confident



100% (100%) have settled accommodation

## Financial performance

#### **Summary**

Transform's turnover increased by 8% to £12.4m and the operating costs by 6% to £11.3m (2020: £10.7m), increasing the underlying operating surplus to £1.1m (2020: £0.8m). The overall surplus for the year was £4.4m, which exceeded budget expectations and covenant requirements and was largely a result of the merger with RQHA.

The financial performance for the care operations had improved, resulting in a reduction in the operating deficit to £63k (2020: £464k). This was achieved through more efficient service delivery and better cost management.

We had been monitoring the viability of the care business and, following a review, concluded it was no longer sustainable. It was therefore sold in February 2021. The financial performance of the care business up to the date of sale, is reported as 'discontinued operations' and the surplus on the sale of £98k is reported as 'other operating surplus'.

Continuous operations – housing, support and fundraising activities show a drop in underlying operating surplus to £1.1m (2020: £1.2m). This is due to operating cost increases from continuing investments in management, staff and IT infrastructure to enhance our service delivery.

The RQHA merger, completed in May 2020, increased turnover by £397k alongside a proportionate cost increase. The merger increased Transform's net assets by £3.6m.

As at March 2021, Transform's net assets of £52.4m (2020: £47m) comprised of £12.1m in grants, £13.4m in bank loans and the remainder as reserves of £26.9m (2020: £22.6m).

We had strong liquidity at year end, with the £2.5m cash providing a good buffer to manage short-term cash flow pressures.

#### Capital structure and treasury

As at 31 March 2021, Transform had secured loan facilities of £20.5m, of which £13.4m has been drawn. Of the drawn loan balances, £8.6m was on variable interest rates and the remaining £4.8m on fixed interest rates. Our weighted average cost of capital was 2.4% (2020: 3.1%).

#### **Reserve policy**

The reserve policy is regularly reviewed and updated. The merger with RQHA increased the reserves generated during the year.

Transform holds reserves for the following purposes:

- 1. To meet the working capital requirements.
- 2. To mitigate operational risks such as those arising from pandemics, staffing shortages, and reactive asset management requirements.
- 3. To protect against any income fluctuations.
- 4. To smooth cash flows.

We hold three types of reserves:

- Restricted reserves funds received from donors for designated purposes.
- General reserves generated through normal operations and invested in property assets.
- Free reserves generated from normal operations.

As of March 2021, our free reserves amounted to circa £1.5m. This exceeded the target by £750k, a consequence of holding larger than normal cash reserves to fund planned property acquisitions that were due to be completed by year end but were delayed.

The Board reviewed our reserve policy, then – taking into consideration the ability to draw down from our loan facility at short notice – they set a free reserve target of £500k for the year 2021-22. This represents two months' operating costs for Transform.

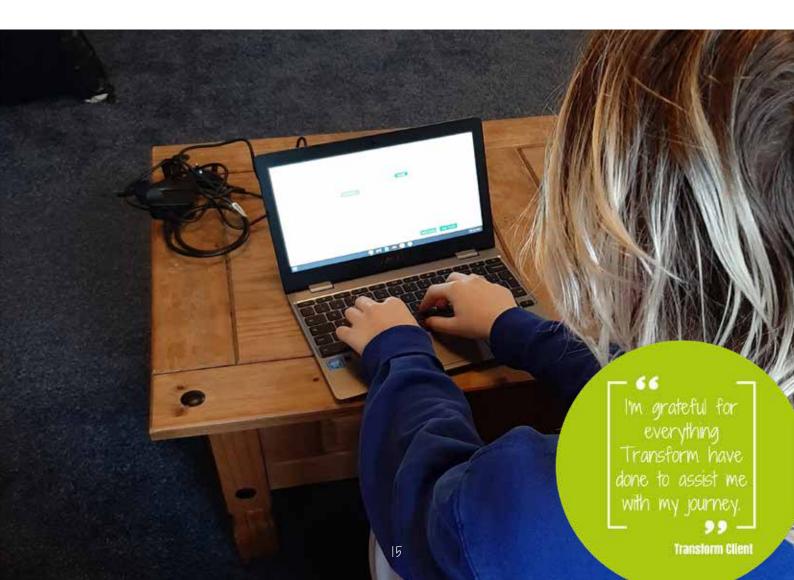


#### Fundraising – true generosity highlighted during Covid-19 pandemic

Transform has been overwhelmed by the generous and continued support received from donors and supporters. We have received vital emergency funds that have helped us purchase additional PPE, as well as donations to keep clients digitally connected.

We have continued to invest in safe and affordable homes for vulnerable people to live in, alongside specialist support and interventions. The pandemic has shone a light on the challenges faced by homeless and vulnerable people. Transform continues to commit its resources to providing increased opportunities and services to enable people to live independent and fulfilled lives.

In addition to many donations in kind, we have received £110k from donors. Every single penny has been used to support clients who have been facing even more challenges during the Covid-19 pandemic.





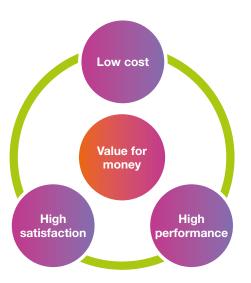
# Our approach

Our Value for Money (VfM) approach aims to optimise the benefits we derive from our resources in an economic, cost-effective and efficient manner.

The key aim underpinning our strategy is to maintain long-term financial viability so we can continue to support more clients in the future.

#### Strategic decision on care services

During the year, we completed a strategic review of Transform's care activities and concluded that we should exit this market. Through a selection process based on our core values, we identified a home care purchaser and completed the sale on 28 February 2021.



#### **Performance**

Our performance is measured against our strategic goals. Our performance indicators are based on the VfM metrics set out by the Regulator of Social Housing (RSH). Our services create social value for clients and also to society. This is further illustrated by our client success story.

During the year, Transform participated in a pilot for supported housing benchmarking co-ordinated by Housemark which included wide participation from several care and support providers. This pilot confirmed that Transform's services are cost-effective and provide good value for money.

The RSH's Global Accounts 2019-20 included VfM metrics. We have used these metrics related to supported housing providers as a basis for benchmarking.

We measure Transform's value for money performance as follows:

- Internally: against our target for the year and last year's actual performance.
- Externally: against RSH's supported housing median.

As the care business was sold on 28 February 2021, the social housing costs per unit cited are presented inclusive and exclusive of care and support activities.



| Value for money performance metrics |  | Actual performance |         |     | Benchmark performance          | Target performance |         |
|-------------------------------------|--|--------------------|---------|-----|--------------------------------|--------------------|---------|
|                                     |  | 2020-21            | 2019-20 | RAG | RSH's Supported Housing Median | 2020-21            | 2021-22 |
| RS                                  | H metrics                              |                    |         |     |                                |                    |         |
| 1                                   | Operating margin (overall)             | 39.2%              | 6.8%    |     | 6.5%                           | 6.8%               | 7.9%    |
| 2                                   | Operating margin (excluding RQHA gift) | 10.2%              | 6.8%    | •   |                                |                    |         |
| 3                                   | Operating margin (social housing)      | 16.2%              | 21.1%   | •   | 10.4%                          | 20.0%              | 18%     |
| 4                                   | Interest cover ratio (EBITDA MRI)      | 303%               | 280%    |     | 259%                           | 170%               | 180%    |
| 5                                   | Social housing cost per unit           |                    |         |     |                                |                    |         |
|                                     | Including care and support costs       | £11,707            | £11,911 | •   | £9,900                         | £11,500            | £10,183 |
|                                     | Excluding care and support costs       | £6,467             | £5,964  | •   |                                | £6,449             | £6,673  |
| 6                                   | Gearing                                | 18.8%              | 24.5%   |     | 14.2%                          | 25.0%              | 26%     |
| 7                                   | New supply % (social housing units)    | 8.9%               | 1.2%    |     | 0.4%                           | 1%                 | 1.9%    |
| 8                                   | Reinvestment %                         | 4.5%               | 2.7%    |     | 4.4%                           | 3%                 | 5%      |
| 9                                   | Return on Capital Employed (ROCE)      | 9.2%               | 1.7%    |     | 3.1%                           | 1.8%               | 1.4%    |
| Otl                                 | her metrics                            |                    |         |     |                                |                    |         |
| 10                                  | Occupancy rate                         | 93.1%              | 93.9%   |     | 99.8%                          | 94%                | 94%     |
| 11                                  | Rent collected                         | 98.9%              | 97.5%   |     | 98.6%                          | 98.5%              | 98.5%   |
| 12                                  | Client satisfaction                    | 94.6%              | 95.8%   | •   | 86.9%                          | 95%                | 95%     |

| Key                             |   |
|---------------------------------|---|
| Exceeds last year's performance | • |
| Below last year's performance   | • |



#### **Operating margin**

The overall operating margin was nearly 40% and, excluding exceptional surplus, the underlying margin was 8.6%. The social housing operating margin has reduced due to increased investments in IT infrastructure and management capabilities.

#### Interest cover ratio (EBITDA MRI)

This provides an approximation of cash generation compared to interest payments. The improvements in underlying surplus have contributed to the enhancement in this interest cover ratio. In addition, this satisfies loan covenants.

#### Social housing cost per unit

This is the key cost measure used by RSH and our unit cost has reduced by 1.7% in 2021. However, this cost is higher than the median cost for supported housing providers published by the RSH. Their publication on the 'cost regression analyses' recognises that supported housing providers' unit costs can vary significantly between £8k and £14k per unit/annum. A supported housing provider's average unit cost is dependent on (a) its income/cost proportions from supported housing (b) clients' support needs (c) size of the organisation and (d) regional cost variances. Therefore, due to Transform's south east location and size, our unit costs (including care and support) are in the higher end of this band.

#### **Gearing ratio**

Gearing is the proportion of borrowings in relation to the size of the asset base. During the year, we increased our asset base through the 2020-21 merger without an increase in loans, reducing the ratio. This satisfies loan covenant requirements.

#### Housing units acquired

There were four new units of accommodation acquired during the year and 76 units transferred through the 2020-21 merger of which 16 units are empty awaiting redevelopment or sale.

#### Re-investment

The re-investment levels have increased during the year. We made capital investments on both existing and new property units. As identified and reported last year, two sheltered housing schemes required significant capital investments to comply with fire safety recommendations.



# Return on Capital Employed (ROCE)

The return is based on the overall operating surplus including a gift through merger and asset sales. The ROCE is 9.2% which exceeded budget expectations and the median for the sector.

#### **Occupancy rate**

The occupancy rate declined during the year and was below target. This was mainly due to the pandemic causing delays in local authority referrals and subsequent difficulties processing applications.

#### **Rent collection rate**

The rent collection rate for 2020-21 was influenced by the effects of the pandemic and the resulting financial difficulties faced by clients. Despite these challenges, Transform's collection rate increased during the year and is comparable to the median for supported housing providers. We recognise that further work may be required to maintain a similar, or better, collection level going forward.

#### **Client satisfaction**

A range of measures is used to ascertain satisfaction levels. The overall satisfaction for 2020-21 was 94.6% (2020: 95.8%), despite the pandemic effects. Service satisfaction remained high for (a) quality of housing 92.7% (2020: 95%) and (b) quality of support 96.9% (2020: 98.2%). Moreover, 96.4% of clients were satisfied with the actions taken by Transform to keep them safe and secure during the pandemic.

#### **Future improvement plans**

Our social housing operating margin has declined and this was mainly due to investments made in upgrading our management and IT infrastructure. This margin is likely to come under further pressure with the increasing regulatory compliance requirements arising from the fire safety bill, the Government's 2050 net carbon zero target and the social housing white paper. This emphasises the need to exercise effective cost controls.

The occupancy rate for Transform is in the lower quartile performance among the benchmarking group. Transform is committed to making future improvements in this area.

#### Social value

Our service delivery includes three components:

- Housing services the provision of safe and secure homes for clients, providing independence and stability to improve lives.
- 2. Support and advice this enhances clients' independence and quality of life.
- Community activities participation in training, education and volunteering improves clients' wellbeing and provides future opportunities.

The impact of our services can be measured as a creation of social value at two levels – benefitting individual clients and benefitting society overall.

#### Why do we measure social value?

- Measuring the outcomes that are important for clients/stakeholders enables us to make informed, evidence-based investment decisions.
- To maximise the social value for each £1 of investment in our services.

#### Social value measurement - key questions

- Has the service delivery achieved positive outcomes for clients?
- 2. What value can be placed on the outcomes delivered?

#### Social value measurement tools

- HACT Wellbeing Valuation Model this determines the value of any client impact.
- Capgemini Benefit Realisation tool this determines the impact on society (i.e. savings to the public purse).

#### Client wellbeing gains

The client satisfaction survey for 2020-21 reported an average wellbeing rating of 85.3% (2020: 86.4%). This covers a range of wellbeing measures to improve financial, physical, emotional and mental health wellbeing. This figure has dipped slightly from the previous year despite the challenges during the difficult period marked by the pandemic.

## Social value success story

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

#### **HACT** wellbeing valuation

This was used to calculate the wellbeing benefits to Jon of the support provided by Transform. We have used the standard values provided by HACT to place a financial value on these improvements. These values represent the amount of extra income a person would need to be able to increase their wellbeing by the same amount as the support provided.

#### Capgemini benefits realisation tool

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

By combining the two, we can determine the overall social value of the support provided to Jon by Transform. We are then able to compare the social value with the cost to Transform of providing support to Jon and hence the related cost/benefit ratio.



#### Financial value

Social value to society £12k

#### Wellbeing value to Jon:

| £10.8k |
|--------|
| £10.8k |
| £13.4k |
| £1.8k  |
| £1.9k  |
|        |

Total wellbeing value to Jon

£38.7k

Cost of support and accommodation per year £15.4k

Total social value generated per year £50.8k

Total social value for every £1 invested £3.29



# Jon's story

Things started getting tough when I was 16. I joined the army but didn't stay long so when I was home my parents kept asking me what I was doing with my life. I started smoking weed and, when I turned 18, I'd go straight to the pub whenever I had any money.

Both my parents were drinkers, and I didn't really get on with my dad, we would argue a lot. We'd end up having a fight or they'd tell me to leave and then they'd call the police. There's been over 27 arrests, over a period of years.

The final straw was after I got a job with a delivery company. My mum said: "promise me you won't drink when you get paid", but there wasn't much to do where I lived so when some friends invited me to the pub, I went. I came home drunk, and dad told me I had to get out. That was December 2016.

I took everything I owned and found this place called the "All Night Café". If you're homeless, you could just rock up there and sleep on the floor. I went to the Council for help, and they found me a place to stay, but I moved a few times which was tough because I was getting further and further away from anyone I knew.

"I didn't have a reason to change before but thanks to Transform, now I do."

The last place I stayed wasn't great for a few reasons. Eventually they told me I had to leave the shared house but there was a bed for me at the night shelter. I didn't really want to go there but I had no choice. They would kick us out in the morning and because there was nothing to do, I would just sit and drink in the park.

My mental health went downhill quickly when I was homeless – it was a downward spiral. I tried killing myself a few times – I didn't want to die; I just wanted the craziness to stop.

I was running out of options. I'd been staying with a friend but that didn't work out. I was banned from the All Night Café and had no money, so I tried the Council again, but only managed to get back to where my parents lived. It was freezing cold and raining, so I walked to my parents' house even though I hadn't seen them for months.

There was no answer, so I hopped over the gate and climbed through the open back window – which was how I used to get in. My mum wasn't there, but there was a bag full of alcohol, so I just stayed in the house drinking. My brother came home and found me. When I said I'd come

to see mum, he told me she was dying. Things got heated, we got into a fight, and I ended up slashing his face with a knife so I got arrested for GBH and burglary.

I pled guilty and was sent to prison. I saw a forensic psychologist and he diagnosed me with antisocial personality disorder, borderline personality disorder and ADHD – he also said that the alcohol and my circumstances had a huge part to play in that.

When I came out of prison, I didn't think anywhere would take me in because of how serious my crime was. But the woman from probation arranged for me to have an assessment with Transform on the day I got out and a few days later they offered me a five-day 'guesting period'.

The deputy manager Sally was really stern with me. She said any antisocial behaviour or drinking, and I'd be gone.

I couldn't believe I had a whole flat to myself. I didn't think it would go well so I asked if I should bother unpacking, but she said: "Yeah, unpack your stuff." Every day I came downstairs to do a breathalyser test and, when they said I could stay, it felt really good.

That was when things began to change for me. I realised that if they were going to trust me with a whole flat, I could manage to get sober. All that time spent staring out of my cell window thinking: "What am I going to do?", well this is it now. Having people believe in me has definitely helped me stay away from alcohol.

My Transform keyworker Simon is brilliant, he's got a great sense of humour and we've been through everything together. The support I get from Transform is more like guidance, they don't just do everything for you. I thought I'd be useless at budgeting and paying bills because I used to spend all my money on drink, but they helped me budget; and now I'm really good at it. I even like saving money! I just got a job, which I didn't think I'd ever have. I work in a charity shop and I haven't been arrested since June 2019. The goal now is to get a full-time job and live a normal life.

I had so many chaotic years but it's not until you talk about it and realise – that was actually my life. When you're running away from the police, people are shouting at you and you're in the middle of court cases, it seems fairly normal. I didn't have a reason to change before but thanks to Transform, now I do.

# Simon, Jon's Keyworker

I've worked with Jon since he came to Transform in 2020. When I looked at his history on his referral form we thought he was going to have a challenge to maintain abstinence from alcohol, but his motivation has been amazing. He has not drunk at all – not even a mini relapse since he moved in. He has fully accepted that alcohol ruined his life. Jon has demonstrated a model recovery to date and shown what can be achieved when people choose abstinence.

He is very personable and enthusiastic. When Jon moved in we developed a support plan together so he could identify his goals and how to achieve them. One of the challenging parts of supporting Jon is that he can be very compulsive and will get an idea in his head and want to do it immediately. After about a month of being with Transform, Jon felt like he was ready to move on. We're not here to hold people back, so if they want to move on, then of course we'll help as much as we can, but we do try and ensure they are ready first. It took a while to slow Jon down, but he realised in the end that it was too soon.

Jon's main support need when he came here was learning how to live independently, including maintaining a tenancy, which he'd never done before. That included budgeting and helping him sort out his debt. Jon's motivation to abstain from drugs and alcohol has been strong, however he has benefitted from discussions in the weekly support sessions around relapse prevention and how to manage emotionally without using substances. I think he would agree he's a lot happier now.

There were times in our weekly sessions where Jon would tell me he was having a bad day but couldn't identify why. It was clear that there was an underlying mental health issue, so I encouraged Jon to get a referral for therapy which he has, and I think it is really helping him. I'm a great believer in getting people to take responsibility for their own mental health. There's no magic cure. If you can learn to manage your challenges, you can get on with life and do whatever you want to do.

We always try and get clients involved in the local community through voluntary work as structure is important. Jon was resistant at the beginning as he felt he didn't need to build a life here as he would be moving. Now, though, he's started voluntary work in a local charity shop. He decided he wanted to do part-time work, so once we'd sorted out what he could earn while being on Universal Credit without it affecting benefits, he just went out and got a job.

We've seen some great changes in Jon and we are pleased to have been able to help him to start to rebuild his life. The foundation for Jon moving forward is to maintain his abstinence and to continue to manage his mental health. It is very positive to see Jon having the confidence to start work and I hope he now believes in the great potential he has.



# Improvements in Jon's wellbeing

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



#### Alcohol and drug use

Alcohol played a key part in the problems Jon experienced in his past. To move on in his life, it was vital that Jon addressed his drinking. Since moving to Transform, Jon has been completely abstinent from alcohol and this has given him the firm foundation he needs to start rebuilding his life.



#### **Finances**

When Jon first moved to Transform he had debts and was unable to budget his money as most would be spent on alcohol. He has since managed to repay his debts and has taken firm control of his finances. With support from Transform colleagues, Jon now carefully budgets his money. He is no longer spending money on alcohol and even finds he is able to save a small amount each month for when he eventually moves on.



#### Mental health

Jon can struggle with depression. To help him address this he is now receiving support from the Mental Health Integrated Service and is attending a 'Managing Emotions' group. Jon can still experience low moods, but for the first time he is receiving support to help him cope.



#### **Employment**

In the time that Jon has been living with us he has made incredible progress with structuring his time. He now volunteers two mornings a week at a local charity shop and, more recently, he has started part-time paid employment as a cleaner.



#### Offending

Jon regards the time he spent in prison as having been a wake-up call for him. Since leaving prison and receiving housing and support from Transform, Jon has been able to turn his life around. He has not re-offended, is reliably attending meetings with his Probation Officer and intends to complete his order in January 2022.



## Principal risks and uncertainties

#### Transform's approach to risk management

The Board is responsible for the risk management process and continually assessing which risks are relevant to Transform in the context of the current climate including, the current Covid-19 pandemic and the post-Brexit transition. The Executive team maintains a register which covers various risks including those related to development, operations, cyber-security and finances. The risks and mitigations within this register are regularly updated and communicated to the Board.

The Board has identified the following as Transform's principal risks and has approved the related controls detailed below.

#### Principal risk

Covid-19 pandemic ongoing effects

#### Controls

- Stringently adhering to Government guidelines and regulations including following our own roadmap out of lockdown in line with national guidance.
- Promoting vaccinations as the best way to reduce the risk of infection and serious illness.
- Regular communication with clients, colleagues and stakeholders.
- Business plan stress-testing, scenario and contingency plans.
- Striving to limit the negative impact of Covid-19 on the health and wellbeing of clients and colleagues by providing guidance, materials and activities – some of which have been driven by the Health & Wellbeing Group.
- Carrying out robust risk assessments.
- Contingency plan to deal with potential future infection waves.

#### Principal risk

Non-compliance with legislative and regulatory standards

#### **Controls**

- Compliance with regulatory standards and the Code of Governance 2015, Code of Conduct 2012 and developments from the social housing white paper.
- Keeping abreast of best practice guidance.
- Compliance with building safety regulations, the Health and Safety Regulator and Housing Ombudsman – including new complaints' handling requirements.

#### **Principal risk**

Potential failure to discharge safeguarding responsibilities

#### **Controls**

- Robust safeguarding policies and practices.
- Continual training for colleagues.

- Regular monitoring reports to the Board.
- Client engagement with safeguarding advice and measures.

#### **Principal risk**

Non-compliance with health and safety legislative and regulatory requirements

#### Controls

- Stringent health and safety compliance supported by external advisers.
- Maintaining a strong health and safety culture and rigorous safety regime.
- Asset management strategy implementation.
- Providing regular, relevant training and development opportunities for all colleagues.
- Regular fire risk assessments (FRAs) and timely implementation of recommendations from them.
- Higher level (level-four) FRAs carried out on identified properties based on client needs.
- An up-to-date stock condition survey.
- Continued regular staff training on health and safety matters.

#### Principal risk

Management capacity to deliver change

#### Controls

- Senior leadership learning and development programme.
- Robust planning processes effective resource planning, prioritisation and project management.

#### **Principal risk**

Potential cyber-attacks on Transform's IT systems

#### Controls

- Mimecast security system.
- Monitoring and monthly reviews of all devices, servers, firewalls and wireless access points.
- Regular updates and awareness briefings for colleagues on cyber-security and protecting data.
- Annual compulsory training session for all colleagues.
- Regular reviews to check vulnerability of systems.
- Transform's Information Governance Steering Group has ownership of cyber risks.

#### **Social Housing White Paper**

This was published in November 2020 and outlines seven commitments for social housing providers including enhancing the existing Decent Homes Standard. There is also a requirement to have three nominated people within Transform responsible for health and safety, consumer standards and building standards respectively. Some of these commitments may have a cost implication.

#### Sustainability target

Transform is committed to meeting the Government's sustainability targets – EPC ratings C by 2030 and the net zero carbon targets by 2050. These targets, along with the increased fire safety measure costs, require a significant capital commitment both for retrofitting existing properties and for ensuring new developments meet these standards. These commitments are factored in to our asset management programme and long-term business plan.

#### **Going concern**

The Board has reviewed our latest financial forecasts incorporating the necessary investment in existing and new stock to meet all the above commitments. Our trustees are, to the best of their knowledge, satisfied that the covenant compliance will be maintained throughout the period of the plan and have modelled a number of scenarios to test the headroom in the plan. After making adequate enquiries, the Board has a reasonable expectation that Transform has adequate resources to continue to operate for at least 12 months from the date of approval of the financial statements. Therefore, the Board believes that Transform is well-placed to manage its risks successfully. For this reason, we continue to adopt the going concern basis in preparing the financial statements.





### Governance

#### **Board of Trustees**

As at 31 March 2021, the Board of Trustees (the Board) comprised eight non-executive members. All Trustees share the same responsibilities and legal status and ultimately ensure Transform complies with all regulatory and statutory requirements. Trustees are appointed through an open and transparent process based on regular assessment of the required skills and experience for the Board to discharge its duties effectively.

Board members are appointed for a term of three years and may serve no more than three consecutive terms. As the Board is considering adopting the new National Housing Federation's (NHF) Code of Governance, which recommends a maximum tenure of two terms, the Board is also reflecting on board renewal and suitable continuity arrangements to ensure Transform transitions to the new Code successfully.

Following the conclusion of an open recruitment process, two Trustees were elected at the Annual General Meeting (AGM) in September 2020. The merger with Reigate Quaker Housing Association led to an additional Trustee joining the Transform Board at the same AGM.

Transform's Articles provide for the Chair to be elected for a three-year term, which can be extended at the discretion of the Board. The Chair's term was extended for a further three years, recognising the challenges presented to Transform due to the pandemic and the benefit of having continuity in this pivotal role for the organisation. Due to lockdown restrictions, all board and committee meetings, including the AGM, were carried out remotely during the year.

#### **Board and committee focus**

The Board is responsible for the governance of Transform. Its role is to lead, direct, control, scrutinise and evaluate Transform's work.

During the year, the Board considered key issues which included:

- The merger with Reigate Quaker Housing Association and proposed merger with Wey Valley Housing Association.
- The sale of the care business.
- The management of the short and long-term effects of the pandemic.

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



| Committee                         | Key matters 2020-21  |
|-----------------------------------|--|
| Client Services &<br>Performance  | <ul> <li>Maintained oversight on client services performance.</li> <li>Considered the detail of the care services sale.</li> <li>Approved policies including those relating to domestic abuse and complaints.</li> <li>Approved the extension of the winter shelter and Covid cabins in Camberley, following the success of the Elmbridge cabins.</li> </ul> |
| Development &<br>Asset Management | <ul> <li>Asset management compliance and oversight of performance.</li> <li>Health and safety compliance.</li> <li>Property investment/disposal decisions.</li> <li>Commissioned a full stock condition survey.</li> </ul>   |
| Finance & Audit                   | <ul> <li>Risk management.</li> <li>Internal/external audit.</li> <li>Financial management.</li> <li>Financial due diligence for care sale and mergers.</li> </ul>  |
| Nominations                       | <ul> <li>Reviewed Board/committee composition.</li> <li>Recommended Board appointments.</li> <li>Reviewed succession planning for Board/Executives.</li> </ul>   |
| People                            | <ul> <li>Completed a pay and reward review.</li> <li>Focused on Transform providing the best working environment for colleagues, especially during the pandemic, including wellbeing, change management and other colleague-related matters.</li> </ul>  |

#### **Board effectiveness**

The Board recognises the importance of monitoring and improving its performance. This is primarily achieved through annual appraisals and ongoing development activities. Trustees are also encouraged to attend events and networking opportunities held by recognised sector bodies such as the National Housing Federation.

#### **Client engagement**

We have begun to refresh our client involvement strategy. We hold regular client forum meetings comprising of a cross-section of clients and have been assessing how we can increase engagement opportunities.

#### **Code of Governance**

Transform has adopted the National Housing Federation's (NHF) Code of Governance 2015 and Code of Conduct 2012 and the Board can confirm compliance with these codes.

In recognition of the preparation required to adopt the NHF Code of Governance 2020, the Board commissioned a review of the governance framework. The implementation of the actions for improvement will form part of the work of the newly created Head of Governance & Assurance role.

# Governance and Financial Viability Standard

Transform is required to formally certify compliance with the Regulator of Social Housing's Governance and Financial Viability Standard and supporting Code of Practice on an annual basis. A detailed and evidence-based assessment was completed against each requirement and the Board approved this at its meeting on 29 July 2021.

# Regulation and compliance

#### **Public benefit reporting**

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

#### **Fundraising code compliance**

The Code of Fundraising Practice sets out the responsibilities that apply to fundraising carried out by charitable institutions and third-party fundraisers 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. We have adopted the Regulator's Code of Fundraising Practice and the Board received a statement of full compliance at its 29 July 2021 meeting.

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

We use the Fundraising Regulator's logo on fundraising communications. Transform has not yet received any requests to remove or suppress donor data from the regulator's Fundraising Preference Service.

The fundraising management team continually monitor guidance and regulations from the Charity Commission and the Fundraising Regulator, and staff are kept abreast of changing regulations through training, one to ones and team meetings.

We received no complaints relating to fundraising. We have carried out an internal review and have no evidence of non-compliance with the Fundraising Regulator's standards, as required by the Charities (Protection and Social Investment) Act 2016.

#### Complaints 2020-21

In July 2020, the Housing Ombudsman Service published a new Complaint Handling Code which set out good practice in how landlords respond to complaints effectively and fairly. The Code is part of the Ombudsman's new powers in the revised Housing Ombudsman Scheme.

At its 15 December 2020 meeting, the Board approved Transform's revised Complaints Policy and Procedure, which is fully compliant with the new requirements. At the same meeting, the Board approved the self-assessment against the new Code, which certified its full compliance. The updated Transform policy and the self-assessment were published on the Transform website and we have committed to completing the self-assessment annually.

In 2020-21 Transform handled a total of 18 reported complaints (2019-20: 19). No complaints were referred to the Housing Ombudsman during the year. This number of reported complaints is in line with the past two years. There were no significant spikes highlighting any team which received more complaints than any other.

Of the 18 complaints recorded, two related to the same property, with the remaining 16 all relating to different properties. In terms of the type of property, 59% of complaints were made by, or about, clients living in flats and 41% by, or about, clients living in shared houses.

As part of our commitment to continual improvement, we value the opportunity to learn from such complaints to help us get things right first time and, in addition to resolving the individual complaints, we have carefully scrutinised them and taken action across services to mitigate against future complaints.

One example noted this year has been a rise in complaints from clients about other clients' behaviour. We believe this may be due to the impact of the pandemic with clients spending more time at home and in the company of their fellow clients. We will continue to monitor this type of complaint as lockdown measures are lifted and will be looking at ways to mitigate such occurrences in the event of future lockdowns. Actions may include increased communications with clients and more discussions at house meetings.

# Statement of Board responsibilities

The Board is responsible for the preparation of the Strategic Report (incorporating the Board Members' Report) and the financial statements in accordance with the applicable law and regulations.

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

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

- Select suitable accounting policies and apply them consistently.
- Make adjustments and accounting estimates that are reasonable and prudent.
- State whether applicable UK Accounting Standards and the Statement of Recognised Practice (SORP) by Registered Housing Providers 2018 have been followed, subject to any material departures disclosed and explained in the financial statements.
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

In so far as all the Board Trustees are aware:

- There is no relevant audit information which the company's auditors are unaware of.
- The Board trustees have taken all steps required to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The Trustees are responsible for the maintenance and integrity of the corporate and financial information, including 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 2020 to the date of board approval (29 July 2021).

The key elements of the framework include:

- Board-approved terms of reference and delegated authority to the Finance and Audit Committee.
- Clearly defined management responsibilities for the identification, evaluation and control of significant risks.
- Good strategic and business planning processes with detailed financial budgets and forecasts.
- Formal recruitment, retention, training and development policies for staff including regular supervision/appraisals.
- Established authorisation and appraisal procedures for new initiatives and development projects.
- Strong treasury management policies and practices reviewed by the Finance and Audit Committee and regular external validation by auditors.
- Regular Board reporting on key objectives, targets, and client outcomes.

- The internal audit programme carried out by the internal auditors, TIAA, provided confidence to the Board.
- Board report compliance with whistle-blowing and anti-corruption/bribery policies and fraud monitoring.
- Regular monitoring of loan covenants and the requirements for new loan facilities.

The fraud register is maintained and is inspected by the internal auditors and we have regular fraud updates reporting any such occurrences to the Finance and Audit Committee. During the year 2020-21, there were no incidents of fraud. With the increasing incidence of cyber fraud, we have reviewed the controls around this and have also obtained a cyber-essentials certificate which recognises good practice in the industry. The internal audit partner from TIAA attends a Finance and Audit Committee meeting every year, providing assurance to the Committee and Board.

#### **External auditors**

Nexia Smith & Williamson were re-appointed as external auditor at our Annual General Meeting on 24 September 2020 and a resolution for their re-appointment will be proposed at the Annual General Meeting on 23 September 2021.

By order of the Board.

Mark Austen Chairman





# **Auditor's report**

# **Nexia Smith & Williamson**

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

### **Opinion**

We have audited the financial statements of Transform Housing & Support (the 'Company') for the year ended 31 March 2021 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 2021 and of its surplus for the year then ended
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice
- have been prepared in accordance with the requirements of the Companies Act 2006; and
- have been properly prepared in accordance with the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019.

# **Basis for opinion**

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

## **Conclusions relating to going concern**

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

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

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

#### Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or

apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact.

We have nothing to report in this regard.

# **Opinion on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken during the audit:

- the information given in the strategic report (incorporating the Board Members' report) for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report (incorporating the Board Members' report) 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, the Board Members are the directors of the Company for the purposes of company law. The Board Members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal controls as the Board Members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board Members are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board Members either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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

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

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

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 Audit Committee
- An annual assessment of compliance with housing association regulations
- The Board's close oversight through regular board meetings and compliance reporting

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

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

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

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

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

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

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

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

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

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

A further description of our responsibilities is available on the Financial Reporting Council's website at: <a href="https://www.frc.org.uk/auditorsresponsibilities">www.frc.org.uk/auditorsresponsibilities</a>. 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.

Jacqueline Oakes Senior Statutory Auditor for and on behalf of Nexia Smith & Williamson Statutory Auditors Chartered Accountants 25 Moorgate, London WC2R 6AY

2021

# Statement of comprehensive income for year ending 31 March 2021

|  | Note | Continuing operations £000s | Discontinued operations £000s | 2021 total<br>£000s | Continuing operations £000s | Discontinued operations £000s | 2020 total<br>£000s |
|--|------|-----------------------------|-------------------------------|---------------------|-----------------------------|-------------------------------|---------------------|
| Turnover                               | 3    | 10,561                      | 1,803                         | 12,364              | 9,723                       | 1,725                         | 11,448              |
| Operating expenditure                  | 3    | (9,432)                     | (1,866)                       | (11,298)            | (8,483)                     | (2,189)                       | (10,672)            |
| Underlying operating surplus           |      | 1,129                       | (63)                          | 1,066               | 1,240                       | (464)                         | 776                 |
| Gain on disposal of housing properties | 9    | 100                         | -                             | 100                 | -                           | -                             | -                   |
| Donation of RQHA net assets            | 31   | 3,577                       | -                             | 3,577               | -                           | -                             | -                   |
| Operating surplus/(deficit)            |      | 4,806                       | (63)                          | 4,743               | 1,240                       | (464)                         | 776                 |
| Surplus on sale of care activity       | 32   | -                           | 98                            | 98                  | -                           | -                             | -                   |
| Interest receivable                    | 7    | 3                           | -                             | 3                   | 10                          | -                             | 10                  |
| Interest and other financing costs     | 8    | (395)                       | -                             | (395)               | (422)                       | -                             | (422)               |
| Surplus/(deficit) for the year         |      | 4,414                       | 35                            | 4,449               | 828                         | (464)                         | 364                 |

### Other comprehensive income:

| Carrier Comprehensive meeting.                     |       |    |       |       |       |     |
|--|-------|----|-------|-------|-------|-----|
| Actuarial gain/(loss) in respect of pension scheme | (131) | -  | (131) | 217   | -     | 217 |
| Total comprehensive income for the year            | 4,283 | 35 | 4,318 | 1,045 | (464) | 581 |

The accompanying notes form part of these financial statements. The financial statements were authorised and approved by the Board on 29 July 2021.

Mark Austen

Chairman

**Paul Rees** 

Chairman of the Finance & Audit Committee

**Ratna Sukumaran** 

Director of Finance & Resources and Company Secretary

# Statement of financial position as at 31 March 2021

|   | Note | 2021     | 2020     |
|---|------|----------|----------|
|   | Note | £000s    | £000s    |
| Fixed assets  | '    |          |          |
| Tangible fixed assets – housing properties and other fixed assets | 11   | 50,846   | 46,346   |
| Current assets  |      |          |          |
| Trade and other debtors   | 12   | 1,551    | 1,094    |
| Cash and cash equivalents   | 13   | 2,556    | 1,607    |
|   |      | 4,107    | 2,701    |
| Creditors: amounts falling due within one year                    | 14   | (2,559)  | (2,034)  |
|   |      |          |          |
| Net current assets  |      | 1,548    | 667      |
| Total assets less current liabilities                             |      | 52,394   | 47,013   |
| Less: creditors – amounts falling due after more than one year    | 15   | (25,109) | (24,260) |
| Pension – defined benefit liability                               | 24   | (159)    | (67)     |
| Other provisions for liabilities and charges                      | 19   | (182)    | (60)     |
| Total net assets  |      | 26,944   | 22,626   |
| Capital and reserves  |      |          |          |
| Restricted reserve  |      | 237      | 176      |
| General reserve - invested in property                            |      | 25,260   | 21,664   |
| - free reserve  |      | 1,447    | 786      |
|   |      | 26,944   | 22,626   |

The accompanying notes form part of these financial statements. The financial statements were issued and approved by the Board on 29 July 2021.

Company number: 01057984

**Mark Austen** 

Chairman

**Paul Rees** 

Chairman of the Finance & Audit Committee

Ratna Sukumaran

Director of Finance & Resources and Company Secretary

# Statement of changes in reserves for year ending 31 March 2021

|   | Restricted | General r            | eserves       |        |
|---|------------|----------------------|---------------|--------|
|   | reserves   | Invested in property | Free reserves | Total  |
|   | £000s      | £000s                | £000s         | £000s  |
| Balance at 1 April 2019                 | 146        | 21,311               | 588           | 22,045 |
| Surplus for the year                    | -          | 364                  | -             | 364    |
| Other comprehensive income for the year | -          | 217                  | -             | 217    |
| Total comprehensive income for the year | -          | 581                  | -             | 581    |
| Transfer between reserves               | 30         | (228)                | 198           | -      |
| At 31 March 2020                        | 176        | 21,664               | 786           | 22,626 |
|   |            |                      |               |        |
| Surplus for the year                    | -          | 4,449                | -             | 4,449  |
| Other comprehensive income for the year | -          | (131)                | -             | (131)  |
| Total comprehensive income for the year | -          | 4,318                | -             | 4,318  |
| Transfer between reserves               | 61         | (722)                | 661           | -      |
| Balance at 31 March 2021                | 237        | 25,260               | 1,447         | 26,944 |

The accompanying notes form part of these financial statements.

# Statement of cash flows for the year ending 31 March 2021

|  | Note | 2021    | 2020    |
|--|------|---------|---------|
|  | Note | £000s   | £000s   |
| Net cash generated from operating activities     | 22   | 1,984   | 1,215   |
| Cash flow from investing activities              |      |         |         |
| Purchase and refurbishment of housing properties |      | (2,604) | (1,683) |
| Proceeds from sale of tangible fixed assets      | 9    | 144     | -       |
| Net proceeds from disposal of care business      | 32   | 154     | -       |
| Cash received on merger                          | 31   | 806     | -       |
| Merger expenses                                  | 31   | (116)   | -       |
| Grants received                                  |      | 345     | 40      |
| Grants repaid                                    |      | (13)    | -       |
| Interest received                                |      | 3       | 10      |
| Net cash used in investing activities            |      | (1,281) | (1,633) |
| Cash flow from financing activities              |      |         |         |
| Interest paid                                    |      | (428)   | (358)   |
| Further borrowing                                |      | 944     | 862     |
| Repayment of borrowings                          |      | (270)   | (270)   |
| Net cash used in financing activities            |      | 246     | 234     |
| Net change in cash and cash equivalents          |      | 949     | (184)   |
| Cash and cash equivalents at:                    |      |         |         |
| Beginning of the year                            |      | 1,607   | 1,791   |
| End of the year                                  |      | 2,556   | 1,607   |

# Notes to the financial statements

### 1. Legal status

Transform Housing & Support is

- Registered under the Companies Act 2006, and is a company limited by guarantee (registered in England and Wales with number 01057984).
- Registered with the Regulator of Social Housing and Homes England (H2452).
- A registered charity with the Charity Commission (264133).
- Regulated by the Fundraising Regulator mainly our fundraising activities.
- Registered with the CQC 1-2756361790 (de-registered May 2021).

Principal activity – the provision of housing and support to clients.

## 2. Accounting policies

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

### Basis of accounting

The financial statements have been prepared in accordance with the UK Generally Accepted Accounting Practice (UK GAAP) including Financial Reporting Standard 102 (FRS 102) and the Housing SORP 2018: Statement of Recommended Practice for Registered Social Housing Providers. They comply with the Accounting Direction for Private Registered Providers of Social Housing 2019.

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

### Going concern

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

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

- a. Covid-19 for the company operating under the ongoing effects of the pandemic in the future, having measures in place to protect vulnerable clients and staff with social distancing rules likely to be in place for some time and this severely impacting the service delivery mode and the cost of operations.
- **b. Long-term impact arising from the economic shut-down**, deep recession, the prolonged economic recovery and the potential impact of all the above on the company, sector and the supply chain.
- **c. Post Brexit environment.** We have considered the 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. With the care sale this may have limited impact on Transform.

Transform's business activities, our current financial position, and the factors that are likely to affect our future development are set out in the Strategic Report. The company has in place adequate long-term debt facilities to fund our commitments on the strategic investments and development programmes, along with the company's day- to-day operations. The company has a long-term business plan which shows that it can service these debt facilities whilst continuing to comply with lenders' covenants. A wide range of multivariant stress tests have been run on the business plan including a normal suite of scenarios that are tested regularly. The multivariant stress tests include the impact of sensitivities on the company's cash flow requirements, compliance with the debt facilities as well as covenants compliance. Mitigating actions, for instance, delays in non-essential expenditure, staff reductions, increased fire safety costs and the appropriate governance support has been factored for all scenarios. This stress test 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

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

- Fire remedial work: During the year we have carried out significant fire remedial work to the two sheltered schemes that were identified last year to be lacking adequate fire stoppage measures. Due to the Covid lockdown there were some delays, but the work was mainly complete at the year end. Costs of compartmentation works of £241k and fire door replacement costs of £126k were incurred during the year. Management judged that these works result in incremental future benefit and are therefore capitalised and depreciated over their useful lives. We have recognised the statutory commitment at the year end, the need to replace additional fire doors and provided for a further £152k capital costs for these replacements post year end
- **WVHA** merger: During the year we progressed a merger with a small provider, Wey Valley Housing Association. Both Boards approved the merger in February 2021, and the formal approval from the Financial Conduct Authority (FCA) was obtained prior to the year end. The merger was completed on 1 April 2021, through a Transfer of Engagement, and all assets and liabilities were transferred to Transform. Management judged the merger date as the date of the transfer and will recognise the value of the gift in the next financial year (2021-22).

### 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. We are conscious that there were no active members within the company's defined benefit plan and the assumptions were in line with actuarial recommended rates. Variations in these assumptions may significantly impact the liability and the annual defined benefit expenses (see note 24). The net defined benefit pension liability at 31 March 2021 was £159k.
- Useful lives of depreciable assets: if there are any changes in circumstances, e.g. impairment, management reviews its estimate of the useful lives of depreciable assets including any components. Uncertainties in the estimates relate to technological obsolescence 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. The useful lives of the property assets transferred through the RQHA merger were estimated by the independent valuers (Savills (UK) Limited) and found to be in line with the useful lives of our existing property components. As at 31 March 2021 the carrying amount of the housing properties was £57.7m and accumulated depreciation was £7.8m.
- RQHA merger: The merger with RQHA was concluded on 15 May 2020, through a Transfer of Engagement, where all RQHA assets and liabilities were transferred to Transform at fair value. This transfer value is recognised as a gift in our statement of comprehensive income and is expanded in note 31.

# Turnover and revenue recognition

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

**Rental and service charge income** – this represents the rental and service charge income receivable for the year, net of any voids. The rental and service charge income from properties developed during the year is recognised from the point at which these properties reach practical completion or are otherwise available for letting. The enhanced housing management fees receivable that is funded by housing benefit is also included here.

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

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

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

#### Financial instruments

Financial instruments which meet the criteria of a basic financial instrument as defined in Section 11 of FRS 102 are accounted for under an amortisation cost model.

Non-basic financial instruments are recognised at fair value using a valuation technique with any gains or losses being reported in surplus or deficit. At the year end, the instruments are revalued to fair value, with the movements posted to the income and expenditure account.

Transform's significant financial liability is the bank loan, and this is classed as a basic financial instrument, measured at amortised cost. The values are similar to those previously shown with no significant adjustments.

Any payment arrangements entered into with tenants are also classed as basic instruments and need to be measured at their present value. Our assessment shows that Transform has a limited number of such agreements at the year end, and these are not considered to be material. Transform does not have any other financial instruments falling into the category of financing transactions.

#### Housing properties and depreciation

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

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

The DRC basis considers (a) cost of purchasing an equivalent property on the open market, 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**

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

#### **Defined contribution pension schemes**

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

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

The current service cost and costs from settlements and curtailments are charged against operating surplus. Interest is calculated on the net defined liability. Re-measurements are reported in the Statement of Comprehensive Income.

#### **Provision for liabilities**

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

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

### Value Added Tax

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

### Reserves

The reserves comprise the general reserves and restricted reserves. The restricted reserves are provided by donors to be spent on specific client activities and general reserves have no restrictions on their use. Our Reserve Policy is shown in the strategic report.

#### Free reserves

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

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

| 2021  | Note     | Turnover | Operating expenditure | Operating surplus (deficit) |
|---|----------|----------|-----------------------|-----------------------------|
|   |          | £000s    | £000s                 | £000s                       |
| Continuing operations                             | '        | '        |                       |                             |
| Social housing lettings                           | 4        | 7,445    | (6,241)               | 1,204                       |
| Other social housing activities                   |          |          |                       |                             |
| Housing related support income                    |          | 2,910    | (3,098)               | (188)                       |
| Charitable donations                              |          | 110      | (77)                  | 33                          |
| Other income                                      |          | 96       | (16)                  | 80                          |
|   |          | 10,561   | (9,432)               | 1,129                       |
| Discontinued                                      |          |          |                       |                             |
| Other social housing activities                   |          |          |                       |                             |
| Home based care                                   |          | 1,803    | (1,866)               | (63)                        |
|   |          | 12,364   | (11,298)              | 1,066                       |
| Gain on disposal of property, plant and equipment | 9        |          |                       | 100                         |
| Donation of RQHA net assets                       | 31       |          |                       | 3,577                       |
|   | <u> </u> |          |                       | 4,743                       |

| 2020                            | Note | Turnover | Operating expenditure | Operating surplus (deficit) |
|---------------------------------|------|----------|-----------------------|-----------------------------|
|                                 |      | £000s    | £000s                 | £000s                       |
| Continuing operations           |      |          |                       |                             |
| Social housing lettings         | 4    | 6,775    | (5,361)               | 1,414                       |
| Other social housing activities |      |          |                       |                             |
| Housing related support income  |      | 2,715    | (2,938)               | (223)                       |
| Charitable donations            |      | 166      | (140)                 | 26                          |
| Other income                    |      | 67       | (44)                  | 23                          |
|                                 |      | 9,723    | (8,483)               | 1,240                       |
| Discontinued                    |      |          |                       |                             |
| Other social housing activities |      |          |                       |                             |
| Home based care                 |      | 1,725    | (2,189)               | (464)                       |
|                                 |      | 11,448   | (10,672)              | 776                         |

As detailed in note 4, the basis of cost allocations was refined in the year and the comparative information has been restated to be consistent. This results in the 2020 costs analysis above being amended from those previously reported.

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

|  | Note | 2021  | Restated 2020 |
|--|------|-------|---------------|
|  | Note | £000s | £000s         |
| Rents receivable net of identifiable service charges |      | 4,554 | 4,183         |
| Charges for housing related support services         |      | 980   | 932           |
| Service charges income                               |      | 1,707 | 1,458         |
| Amortised government grants                          | 16   | 204   | 202           |
| Turnover from social housing lettings                | 3    | 7,445 | 6,775         |

| Operating expenditure:                           |    |       |       |
|--|----|-------|-------|
| Service charge costs                             |    | 1,620 | 1,382 |
| Management                                       |    | 1,656 | 1,178 |
| Routine maintenance                              |    | 1,219 | 886   |
| Planned maintenance                              |    | 140   | 419   |
| Bad debts  |    | 118   | 98    |
| Property charges – lease/management agreement    |    | 560   | 540   |
| Depreciation of housing properties               | 11 | 865   | 798   |
| Other costs                                      |    | 63    | 60    |
| Operating expenditure on social housing lettings | 3  | 6,241 | 5,361 |
| Operating surplus on social housing lettings     | 3  | 1,204 | 1,414 |
| Void losses                                      |    | (522) | (417) |

During the year we refined the calculations of the above note and thereby adjusted the comparative costs to be consistent with those reported in 2021.

The operating costs have increased due to the RQHA merger and additional investment in IT and management staff costs.

## 5. Directors and key management personnel salary cost

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

|  | 2021  | 2020  |
|--|-------|-------|
|  | £000s | £000s |
| Aggregate emoluments including pension scheme contributions, payable to: |       |       |
| Executive team (2021: 6.3 FTEs, 2020: 4.7 FTEs)                          | 492   | 380   |
| The highest paid Executive team member:                                  |       |       |
| Emoluments   | 113   | 112   |
| Pension contributions  | 10    | 10    |

The Executive team represents the key management personnel under FRS 102 and their aggregate emoluments including employer's national insurance contributions were £542k (2020: £419k). There were no compensation payments for loss of office to any previous members of the Executive team (2020: nil).

The Chief Executive was the highest paid Executive member during the year. His pension arrangements are similar to those of other colleagues – a money-purchase pension scheme with no additional benefits.

# 6. Employee information

| The average number of employees employed (headcount) | 2021   | 2020   |
|--|--------|--------|
|  | Number | Number |
| Housing, care and support staff                      | 149    | 166    |
| Administration staff                                 | 39     | 35     |
| Maintenance staff                                    | 7      | 7      |
|  | 195    | 208    |

| The suggestion number of ampleyees ampleyed (ETEs) | 2021 | 2020   |
|--|------|--------|
| The average number of employees employed (FTEs)    |      | Number |
| Housing, care and support staff                    | 127  | 141    |
| Administration staff                               | 33   | 27     |
| Maintenance staff                                  | 7    | 7      |
|  | 167  | 175    |

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

| Staff costs for the above persons: | 2021  | 2020  |
|------------------------------------|-------|-------|
|                                    | £000s | £000s |
| Wages and salaries                 | 4,805 | 4,727 |
| Social security costs              | 393   | 359   |
| Other pension costs                | 176   | 171   |
|                                    | 5,374 | 5,257 |

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

| The average number of employees employed (headcount) | 2021 | 2020 |
|--|------|------|
| More than £60,000 but not more than £70,000          | 4    | 1    |
| More than £70,000 but not more than £80,000          | 1    | 1    |
| More than £120,000 but not more than £130,000        | 1    | 1    |

# 7. Interest receivable

|                             | 2021  | 2020  |
|-----------------------------|-------|-------|
|                             | £000s | £000s |
| Interest from bank deposits | 3     | 10    |

# 8. Interest and financing costs

|   | 2021  | 2020  |
|---|-------|-------|
|   | £000s | £000s |
| Interest payable on bank loans              | 394   | 416   |
| Net interest expense on SHPS pension scheme | 1     | 6     |
|   | 395   | 422   |

# 9. Surplus on property disposal

|                               | 2021  | 2020  |
|-------------------------------|-------|-------|
|                               | £000s | £000s |
| Disposal proceeds             | 144   | -     |
| Carrying cost of the property | (44)  | -     |
|                               | 100   | -     |

There was no capital grant allocation that requires recycling.

# 10. Surplus for the year

|  | 2021  | 2020  |
|--|-------|-------|
|  | £000s | £000s |
| The operating surplus is arrived at after charging:  |       |       |
| Depreciation of housing properties                   | 865   | 798   |
| Depreciation of other tangible fixed assets          | 150   | 69    |
| Surplus on disposal of property, plant and equipment | 100   | -     |
| Operating lease rentals:                             |       |       |
| Land and buildings                                   | 471   | 467   |
| Other leases   | 40    | 34    |
| Auditor's remuneration (excluding VAT):              |       |       |
| Audit fees   | 27    | 19    |
| Other services                                       | 1     | 7     |

# 11. Tangible fixed assets - housing properties and other fixed assets

|                               | Housing properties | Properties<br>under<br>construction | Total<br>housing<br>properties | Furniture<br>and<br>equipment | Total  |
|-------------------------------|--------------------|-------------------------------------|--------------------------------|-------------------------------|--------|
|                               | £000s              | £000s                               | £000s                          | £000s                         | £000s  |
| Cost                          |                    |                                     |                                |                               |        |
| At 1 April 2020               | 52,824             | 23                                  | 52,847                         | 920                           | 53,767 |
| Additions                     | 1,308              | 24                                  | 1,332                          | 590                           | 1,922  |
| Transfer of engagement        | 2,438              | 435                                 | 2,873                          | 21                            | 2,894  |
| Works to existing properties. | 798                | -                                   | 798                            | -                             | 798    |
| Disposals                     | (137)              | -                                   | (137)                          | (64)                          | (201)  |
| At 31 March 2021              | 57,231             | 482                                 | 57,713                         | 1,467                         | 59,180 |
| Depreciation                  |                    |                                     |                                |                               |        |
| At 1 April 2020               | 7,013              | -                                   | 7,013                          | 408                           | 7,421  |
| Charges for the period        | 865                | -                                   | 865                            | 150                           | 1,015  |
| Disposals                     | (93)               | -                                   | (93)                           | (9)                           | (102)  |
| At 31 March 2021              | 7,785              | _                                   | 7,785                          | 549                           | 8,334  |
| Net book value                |                    |                                     |                                |                               |        |
| At 31 March 2021              | 49,446             | 482                                 | 49,928                         | 918                           | 50,846 |
| At 31 March 2020              | 45,811             | 23                                  | 45,834                         | 512                           | 46,346 |

Works to existing properties £798k (2020: £386k) includes, fire safety improvement works costs of £550k (2020: £61k) and component replacement costs of £248k (2020: 325k).

The additions during the year include:

- Property assets of £1,308k (2020: £911k) is the cost of acquisition of four properties (2020: two properties for £683k).
- Other fixed assets of £590k (2020: £371k) includes (a) IT cost addition of £376k (2020: £158k) relating to ongoing IT capital projects and laptops (b) office refurbishment costs head office £81k (2020: £84k) and new office at Reigate of £65k.

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

|                                    | 2021   | 2020   |
|------------------------------------|--------|--------|
|                                    | £000s  | £000s  |
| Freehold land and buildings        | 43,393 | 40,126 |
| Long leasehold land and buildings  | 4,778  | 4,072  |
| Short leasehold land and buildings | 1,757  | 1,636  |
|                                    | 49,928 | 45,834 |

# 12. Debtors

|  | 2021  | 2020  |
|--|-------|-------|
|  | £000s | £000s |
| Due within one year                        |       |       |
| Rent and service charges receivable        | 534   | 410   |
| Less: provision for bad and doubtful debts | (355) | (241) |
|  | 179   | 169   |
| Trade debtors                              | 832   | 507   |
| Other debtors                              | 109   | 128   |
| Prepayments and accrued income             | 431   | 290   |
|  | 1,551 | 1,094 |

# 13. Cash and cash equivalents

|                          | 2021  | 2020  |
|--------------------------|-------|-------|
|                          | £000s | £000s |
| Cash in bank and in hand | 2,556 | 1,607 |

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

# 14. Creditors: amounts falling due within one year

|  | N. I | 2021  | 2020  |
|--|------|-------|-------|
|  | Note | £000s | £000s |
| Housing loans                                | 17   | 270   | 270   |
| Deferred grant income                        | 16   | 207   | 202   |
| Trade creditors                              |      | 869   | 403   |
| Loan interest due                            |      | 107   | 141   |
| Rent and service charges received in advance |      | 115   | 57    |
| Recycled capital grant fund                  | 18   | 153   | 117   |
| Capital accruals and retentions              |      | 13    | 19    |
| Other creditors                              |      | 581   | 553   |
| Other taxation and social security           |      | 82    | 120   |
| Other accruals and deferred income           |      | 162   | 152   |
|  |      | 2,559 | 2,034 |

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

|                             | Note | 2021   | 2020   |
|-----------------------------|------|--------|--------|
|                             | Note | £000s  | £000s  |
| Housing loans               | 17   | 13,121 | 12,416 |
| Deferred grant income       | 16   | 11,988 | 11,794 |
| Recycled capital grant fund | 18   | -      | 50     |
|                             |      | 25,109 | 24,260 |

# 16. Deferred grant income

|   | 2021   | 2020   |
|---|--------|--------|
|   | £000s  | £000s  |
| Balance at 1 April                            | 11,996 | 12,158 |
| Grant received in the year                    | 403    | 40     |
| Released to Statement of Comprehensive Income | (204)  | (202)  |
| Balance at 31 March                           | 12,195 | 11,996 |

| Deferred income to be released to the Statement of Comprehensive Income |        |        |
|---|--------|--------|
| Amount to be released in less than one year                             | 207    | 202    |
| Amount to be released in more than one year                             | 11,988 | 11,794 |
|   | 12,195 | 11,996 |

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

|                              | 2021   | 2020   |
|------------------------------|--------|--------|
|                              | £000s  | £000s  |
| Due within <b>one year</b>   | 270    | 270    |
|                              |        |        |
| Due after more than one year |        |        |
| Loan                         | 13,300 | 12,570 |
| Less: issue costs            | (179)  | (154)  |
|                              | 13,121 | 12,416 |
|                              | 13,391 | 12,686 |

We have the following loan facilities in place:

- Barclays Bank (Facility A) £6m fully drawn (expires July 2029).
- Barclays Bank (Facility B) £6.5m £6m drawn (expires August 2024).
- Unity Trust Bank £7.5m £1m drawn (expires January 2031).

### Repayment profile:

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

Of the drawn loan facility £4.8m is on fixed interest rates and divided into several fixed-rate loan tranches with Barclays. These tranches have different interest rates ranging from 2.9% to 5.9% 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 LIBOR (Barclays) rate or the bank's base rate (Unity). We expect the SONIA transition for the LIBOR-linked Barclays loans to complete by September 2021.

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

|                        |       | 2020  |
|------------------------|-------|-------|
|                        | £000s | £000s |
| Balance at 1 April     | 167   | 166   |
| Grant repaid           | (14)  | -     |
| Interest on grant fund | -     | 1     |
| Balance at 31 March    | 153   | 167   |

|                              | 2021  | 2020  |
|------------------------------|-------|-------|
|                              | £000s | £000s |
| Due within one year          | 153   | 117   |
| Due after more than one year | -     | 50    |

Included within the amount due within one year is £103k which is more than three years old. It has been agreed that this can be carried over and utilised in 2021-22.

# 19. Provisions for liabilities and charges

|                       | 2021  | 2020  |
|-----------------------|-------|-------|
|                       | £000s | £000s |
| Balance at 1 April    | 60    | 16    |
| Spend in the year     | (15)  | -     |
| Release of provision  | (15)  | -     |
| Increase in provision | 152   | 44    |
| Balance at 31 March   | 182   | 60    |

During the year dilapidation work at the Tern House office was completed and the balance of the provision released. The provision is to cover the cost of office dilapidations of the Mill Street office and entrance doors at several schemes as recommended by the scheme Fire Risk Assessments. This provision will be utilised in the next financial year.

### 20. Financial and other commitments

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

|   | 2021  | 2020  |
|---|-------|-------|
|   | £000s | £000s |
| Expenditure contracted for but not provided in the accounts | 33    | 142   |
| Expenditure authorised by the Board but not yet contracted  | 2,735 | 564   |

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

# **Leasing commitments**

The future minimum lease payments are set out below.

|                            | 2021     | 2021   | 2020     | 2020   |
|----------------------------|----------|--------|----------|--------|
|                            | Property | Others | Property | Others |
|                            | £000s    | £000s  | £000s    | £000s  |
| Within one year            | 454      | 13     | 453      | 20     |
| Between one and five years | 1,194    | 10     | 974      | 12     |
| Over five years            | 952      | -      | 1,287    | -      |
| At 31 March                | 2,600    | 23     | 2,714    | 32     |

# 21. Social housing units

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

|                                | 2021 | 2020 |
|--------------------------------|------|------|
| Supported housing units        | 864  | 786  |
| Housing for older people units | 36   | 36   |
| Total owned and managed        | 900  | 822  |
| Not owned but managed          | 65   | 74   |
|                                | 965  | 896  |

# 22. Notes to the statement of cash flow

|                      | 2021  | 2020  |
|----------------------|-------|-------|
|                      | £000s | £000s |
| Surplus for the year | 4,449 | 364   |

| Adjustments for non-cash items                       |         |       |
|--|---------|-------|
| Surplus on disposal of property, plant and equipment | (100)   | -     |
| Depreciation of tangible fixed assets                | 1,015   | 867   |
| Surplus on sale of care activity                     | (98)    | -     |
| Gift on merger                                       | (3,577) | -     |
| Amortisation of loan arrangement fee                 | 30      | 18    |
|  | 1,719   | 1,249 |

| Movements in working capital     |       |       |  |
|----------------------------------|-------|-------|--|
| (Increase) in debtors            | (377) | (195) |  |
| Increase/(decrease) in creditors | 494   | (59)  |  |
| Increase in provisions           | -     | 50    |  |
|                                  | 1,836 | 1,045 |  |

| Adjustments for investing or financing activities |       |       |  |
|---|-------|-------|--|
| Government grants amortised in the year           | (204) | (202) |  |
| Pension costs less contributions                  | (40)  | (40)  |  |
| Interest payable                                  | 395   | 422   |  |
| Interest received                                 | (3)   | (10)  |  |
| Net cash generated from operating activities      | 1,984 | 1,215 |  |

## 23. Analysis of changes in net debt

|                              | At 1 April<br>2020 | Cash flow | Non-cash<br>changes | Total   |
|------------------------------|--------------------|-----------|---------------------|---------|
|                              | £000s              | £000s     | £000s               | £000s   |
| Housing loans                |                    |           |                     |         |
| Due in less than one year    | 270                | (270)     | 270                 | 270     |
| Due after more than one year | 12,416             | 1,000     | (295)               | 13,121  |
|                              | 12,686             | 730       | (25)                | 13,391  |
|                              |                    |           |                     |         |
| Cash at bank and in hand     | (1,607)            | (949)     | -                   | (2,556) |
| At 31 March                  | 11,079             | (219)     | (25)                | 10,835  |

# 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, the association is potentially liable for other participating employers' obligation if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from the scheme.

The most recent formal actuarial valuation was completed as at 30 September 2017 and rolled forward, allowing for the different financial assumptions required under FRS 102, to 31 March 2021 by a qualified independent actuary.

The net defined benefit liability at the year ended 31 March 2021 is £159k (2020: £67k).

## Present value of defined benefit obligation

|  | 31 March 2021 | 31 March 2020 |
|--|---------------|---------------|
|  | £000s         | £000s         |
| Fair value of plan assets                    | 1,236         | 1,120         |
| Present value of the scheme liabilities      | 1,395         | 1,187         |
| Deficit in plan                              | (159)         | (67)          |
| Defined benefit liabilities to be recognised | (159)         | (67)          |

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

|                          | 2021  | 2020  |
|--------------------------|-------|-------|
|                          | £000s | £000s |
| Opening Scheme liability | 1,187 | 1,428 |
| Expenses                 | 3     | 3     |
| Interest expense         | 28    | 27    |
| Actuarial losses/gains   | 229   | (211) |
| Net benefits paid        | (52)  | (60)  |
| Closing scheme liability | 1,395 | 1,187 |

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

|                                       | 2021  | 2020  |
|---------------------------------------|-------|-------|
|                                       | £000s | £000s |
| Opening fair value of the plan assets | 1,120 | 1,111 |
| Interest income                       | 27    | 21    |
| Return on plan assets                 | 98    | 6     |
| Contributions by the employer         | 43    | 42    |
| Benefits paid                         | (52)  | (60)  |
| Fair value of assets                  | 1,236 | 1,120 |

The actual return on plan assets (including any changes in share assets) over the period from 3 March 2020 to 31 March 2021 was £125k.

# Amounts recognised in the surplus

|                                    | 2021  |       |
|------------------------------------|-------|-------|
|                                    | £000s | £000s |
| Amounts charged to operating costs | 3     | 3     |
| Amounts charged to interest costs  | 1     | 6     |
| Total charge for the year          | 4     | 9     |

# Defined benefits costs recognised in the other comprehensive income

|  | 2021  | 2020  |
|--|-------|-------|
|  | £000s | £000s |
| Experience to plan assets (excluding amounts included in net interest cost) – gain (loss)                                    | 98    | 6     |
| Experience gains and losses arising on plan liabilities – gain (loss)  | 2     | 19    |
| Effects of changes in the demographic assumptions underlying the present value of the defined befit obligation – gain (loss) | (6)   | 13    |
| Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation – gain (loss) | (225) | 179   |
| Total actuarial gains or losses (before restriction due to some of the surplus not being recognisable) – gain (loss)         | (131) | 217   |
| Total amount recognised in other comprehensive income – gain (loss)  | (131) | 217   |

# Principal actuarial assumptions: Financial assumptions

|   | 31 March 2021         | 31 March 2021         |
|---|-----------------------|-----------------------|
|   | % per Annum           | % per Annum           |
| Discount rate   | 2.04                  | 2.42                  |
| Future salary increase                                      | 3.82                  | 2.71                  |
| Inflation (RPI)   | 3.35                  | 2.71                  |
| Inflation (CPI)   | 2.82                  | 1.71                  |
| Allowance for commutation of pension for cash at retirement | 75% of max. allowance | 75% of max. allowance |

# **Mortality assumptions**

|                         | 31 M   | arch 2021    | 31 March 2020      |
|-------------------------|--------|--------------|--------------------|
|                         | Life 6 | expectancy a | at age of 65 years |
| Male retiring in 2021   |        | 21.6         | 21.5               |
| Female retiring in 2021 |        | 23.5         | 23.3               |
| Male retiring in 2041   |        | 22.9         | 22.9               |
| Female retiring in 2041 |        | 25.1         | 24.5               |

# Analysis of pension scheme assets

|                               | 31 March 2021 | 31 March 2020 |
|-------------------------------|---------------|---------------|
|                               | £000s         | £000s         |
| Global equity                 | 197           | 164           |
| Absolute return               | 68            | 58            |
| Distressed opportunities      | 36            | 22            |
| Credit relative values        | 39            | 31            |
| Alternative risk premia       | 47            | 78            |
| Fund of hedge funds           | -             | 1             |
| Emerging markets debts        | 50            | 34            |
| Risk sharing                  | 45            | 38            |
| Insurance linked securities   | 30            | 34            |
| Property                      | 26            | 25            |
| Infrastructure                | 82            | 83            |
| Private debt                  | 29            | 23            |
| Opportunistic illiquid credit | 31            | 27            |
| High yield                    | 37            | -             |
| Opportunistic credit          | 34            | -             |
| Corporate bond fund           | 73            | 64            |
| Liquid credit                 | 15            | -             |
| Long lease property           | 24            | 19            |
| Secured income                | 51            | 42            |
| Liability driven investments  | 314           | 372           |
| Net current assets            | 8             | 5             |
|                               | 1,236         | 1,120         |

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

# 25. Fundraising activities

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

|                                     | 2021  | 2020  |
|-------------------------------------|-------|-------|
|                                     | £000s | £000s |
| Fundraising cash generated          |       |       |
| Fundraising cash                    | 110   | 166   |
|                                     |       |       |
| Fundraising costs                   |       |       |
| Salary costs                        | 55    | 106   |
| Other costs                         | 22    | 34    |
|                                     | 77    | 140   |
| Net fundraising contributions       | 33    | 26    |
|                                     |       |       |
| Return on investment (ROI)          | 1.4   | 1.2   |
| Fundraising cost ratio              | 70%   | 84%   |
| Allocation of funds                 |       |       |
| Capital projects                    |       |       |
| Woking, Surrey                      | -     | 19    |
| Future generations                  | -     | 8     |
| Move on Grants                      | 8     | 41    |
| Reigate, Surrey                     | -     | 3     |
| Redhill, Surrey                     | -     | 3     |
| Spelthorne, Surrey                  | -     | 17    |
|                                     | 8     | 91    |
| Revenue projects                    |       |       |
| For specific client groups/projects | 102   | 75    |
|                                     | 102   | 75    |
| Restricted funds allocated          | 110   | 166   |
| Total fundraising cash allocation   | 110   | 166   |

As detailed in note 4, the basis of cost allocations was amended in the year and the comparative information has been restated to be consistent. This results in the 2020 costs above being amended from those previously reported.

### 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       | 2021 | 2020 |
|-------------------------|------|------|
|                         | No   | No   |
| At 1 April              | 24   | 23   |
| Joining during the year | 1    | 2    |
| Leaving during the year | (2)  | (1)  |
| At 31 March             | 23   | 24   |

### 27. Related party transactions

The members of the Board and Executive Team are considered related parties as defined by FRS 102. Transform retains a register of members' interests. We can confirm that we do not have any transactions that require disclosure.

## 28. Government grants

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

| Total grants received:   |        | 2020   |
|--|--------|--------|
|  |        | £000s  |
| Grants credited to the income statement or arising on merger/acquisition | 9,525  | 9,321  |
| Deferred grants (note 16)  | 12,195 | 11,996 |
|  | 21,720 | 21,317 |

### 29. Taxation status

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

### 30. Post year-end events

During the year merger discussions with Wey Valley Housing Association (WVHA) were well advanced, with both Boards and the WVHA shareholders approving the merger. On 1 April 2021 we received consent for the transfer of engagement from the FCA, and we notified the Regulator of Social Housing (RSH) accordingly. Our pre-merger financial due diligence has shown that Transform will gain approximately £700k of WVHA's net assets through this merger.

# 31. Donation of Reigate Quaker Housing Association (RQHA) net assets

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

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

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

The valuations were undertaken by Savills.

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

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

# 32. Sale of care activity

Transform's Board made a strategic decision in September 2020 to exit from all care activity. Consequently, the income and the operating cost relating to the care activity is shown as discontinued activity in the Statement of Comprehensive Income. As of 28 February 2021, we completed the sale of the care business to Apex Prime Care. Through this sale process, all the care-related staff, clients and the goodwill were transferred to Apex Prime Care and Transform retained the care-related net assets as at that date; the surplus arising on the sale is shown below.

|  | 2021  | 2020  |
|--|-------|-------|
|  | £000s | £000s |
| Sale proceeds                              | 200   | -     |
| Less: selling costs                        | (46)  | -     |
| unrecoverable care related asset write-off | (56)  | _     |
|  | 98    |       |

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