

Financial statements

For the year to **31 March 2015**

Transform Housing & Support is the operating name
of Surrey Community Development Trust

Registered Provider H2452

Registered Charity 264133

Company Limited by Guarantee Registered in England 01057984

Transform Housing & Support

Financial statements for the year to 31 March 2015

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Company details

Company name	Transform Housing & Support is the operating name of Surrey Community Development Trust
Company number	01057984
Charity number	264133
Registered Provider number	H2452
Registered office	Bradmere House Brook Way Leatherhead Surrey KT22 7NA

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Internal auditors

TIAA Ltd
Business Support Centre, 53-55 Gosport Business Centre, Aerodrome Road, Gosport,
Hampshire PO13 0FQ

Bankers

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

Solicitors

Devonshires
30 Finsbury Circus, London EC2M 7DT

Our people

Royal Patron

HRH The Countess of Wessex GCVO

Patrons

Dame Sarah Goad DCVO JP
Lord-Lieutenant of Surrey

The Rt Hon Baroness Bottomley of
Nettlestone JP DL

Professor Patrick J Dowling
CBE DL FREng FRS

David Hypher OBE DL BSc
(Appointed August 2014)

Dame Penelope Keith DBE DL

Lynne Owens QPM
Chief Constable, Surrey Police

Professor Sir Christopher Snowden
FRS FREng FIET FIEEE FCGI
Vice-Chancellor, University of Surrey

Sir Richard Stilgoe OBE DL

Directors

David Turner Hon DSc FRICS
Chairman

Elizabeth Kennedy FCIPD
Vice Chairman

David Steeds MA FCA
Vice Chairman
Chairman of the Finance & Audit Committee

Jane Bolton BA (Hons) FCIH

Amanda Colman BCom
(Appointed January 2015)

Christopher Deacon BSc (Hons) MSc

Deborah Drury BA (Hons)
(Resigned November 2014)

Stephen Drury MA

Lee Harris

Robert Mills BA (Hons) MCIH

David Parmee BSc FIA
(Resigned July 2015)

Bernard Stevens FCA FCMA

Jane Williams FCIPD Cert IOD AIOL

Executive Team

Paul Mitchell BA (Hons) ACA
Chief Executive

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

Ratna Sukumaran ACMA
Director of Finance
Company Secretary

Report of the Board of Directors

Introduction

Transform Housing & Support provides specialist accommodation and support services for homeless and vulnerable people in Surrey, the London Borough of Sutton and Wokingham in Berkshire. We have provided these services for over 40 years and have built a strong reputation for delivering excellent services that help vulnerable people to improve their lives. We are the largest provider of housing-related support services in Surrey.

Who we help

We help people with a range of support needs, including:

- Homeless people and families
- People with mental health issues
- Marginalised young people
- People with drug or alcohol dependency
- People with a history of offending
- People with learning disabilities
- Vulnerable older people
- People with sensory / physical disabilities

How we help

- We provide safe, warm and secure homes
- We give one-to-one support, tailored to the needs of the individual
- We help people to gain essential life skills
- We encourage people to build up their confidence and self-belief
- We support clients to improve their physical, mental and emotional health
- We assist clients to access education, training, volunteering and work
- We empower people to live independently and support themselves

We provide accommodation-based support services to over 600 clients and floating support services to around 140 further clients in their own homes. We help more than 1,000 people each year to transform their lives.

We aim to help our clients to develop the skills and confidence to live independently and support themselves. We work in partnership with a wide range of other agencies from the statutory and voluntary sectors to achieve this. We have a proven track record of helping people to make long term positive changes to their lives.

Impact of our services

- Over the past year Transform has provided housing and support for 1,045 homeless and vulnerable people
- 381 clients moved on during the year, with 79% doing so in a positive way
- Our 2015 client satisfaction survey showed:
 - 97% of clients are satisfied with the quality of our housing
 - 98% are happy with the quality of our support
- In our client exit questionnaires for 2014/15, 91% of clients said we had helped them to improve their situation and gain essential life skills
- A survey of our former clients found that 100% were still living in settled accommodation and 90% had continued to see improvements in their lives since leaving us
- A study showed that every £1 of support funding spent by Transform saves at least £3.29 for other public services

Objectives

Vision, mission and values

Our **vision** is to give homeless and vulnerable people a second chance in life. Our **mission** is to provide housing and support for homeless, vulnerable and excluded people, empowering them to reach their goals and live independent and fulfilling lives.

Our **values** shape how we behave:

- Empowerment
- Working together
- Excellence
- Honesty
- Innovation
- Respect

Strategic approach

Our **2014/15 business plan** focused on the following strategic objectives:

- Getting the basics right
- Growing our services
- Diversifying our business

During the year we developed a five-year strategy for 2015-2020. Our **headline objective** is to become the supported housing provider of choice in our target areas of operation, helping more and more homeless, vulnerable and excluded people to lead independent and fulfilling lives.

Our **strategic objectives** are:

- **Impact:** Continually strive for better outcomes for clients and customers
- **Sustainable growth:** Help more people year on year
- **Financial viability:** Broaden our support funding base across the public sector, other institutions and individuals
- **Value for money:** Drive efficiency and improve service quality
- **Innovation:** Introduce new, cost-effective services that complement existing activities

Achievements and performance

Highlights of the year

The year 2014/15 has seen a strong performance with several key achievements:

- Excellent client outcomes and satisfaction levels
- Increased client involvement in our operations
- Excellent financial performance generating £605k surplus, increasing our financial viability
- Retention of Wokingham contract and young people's contracts in Surrey for housing-related support services through tender processes
- Expansion of our housing stock by the addition of 10 flats and two houses
- Delivery of Empty Homes Programme working in partnership with five Surrey boroughs
- Success with our innovative drug and alcohol pilot, so that it has regular funding confirmed
- Successful outcome of joint bid with seven Surrey boroughs to deliver homelessness coordination services
- A very good second year providing a winter shelter for rough sleepers in a wide partnership project with three boroughs
- A record year with £246k of donations; reported as £222k of 'fundraising income' and an additional £24k of voluntary income for the winter shelter, reported within 'other income'
- An excellent visit by our Royal Patron HRH The Countess of Wessex to see our projects in Farnham
- A successful fundraising dinner held at the RAC Club in Epsom with input from our Patron Dame Penelope Keith DBE and BBC Radio presenter Garry Richardson
- Re-accreditation of the Investor in People standard, with the Bronze award achieved
- Installation of our Vice Chairman Elizabeth Kennedy as High Sheriff of Surrey for 2015/16 from March 2015

Client outcomes

Our clients continue to achieve excellent progress thanks to the support of our staff.

During the financial year 2014/15 we supported 1,045 people across Surrey, Sutton and Wokingham. 381 clients **moved on** during the year; of these, 79% (2014: 77%) moved on positively in a planned way.

The **exit questionnaires** completed by our clients show that of those people who moved on:

- 100% (2014: 98%) were satisfied or very satisfied with the quality of our housing
- 98% (2014: 100%) were satisfied or very satisfied with the quality of the support that we provide
- 98% (2014: 100%) felt that Transform gave them opportunities to air their opinions and assisted them to get involved in what we do

A survey of **client economic activity** carried out in April 2015 showed that since receiving support from Transform:

- Four times as many clients are in voluntary work
- Clients in employment, education or voluntary work increased by 65%
- Clients in full or part time work had increased by over 55%

During the year we made five **client involvement promises**, responding to clients' stated priorities, and we are very pleased to say that we have fully met these promises. We have:

- Developed three new training modules to help clients develop life skills
- Provided training to clients who have been most involved in our work
- Consulted with all clients on performance targets for maintenance
- Involved clients in the review of five policies
- Started to develop a new handbook for people with a learning disability

Our **client satisfaction survey** showed that 96% of clients were satisfied with the way Transform involves them in decisions that affect them.

Our **long term monitoring survey** of former clients showed that:

- 80% of the skills and abilities developed through the support provided by Transform had been successfully maintained once they had moved on
- 90% continued to identify improvements in their happiness, security, confidence, community involvement, productivity, independence and self-respect
- 100% were still living in settled accommodation
- 100% felt that the support that they had received from Transform helped them to improve their general quality of life

Governance

The organisation was incorporated in June 1972 and is a company limited by guarantee. The organisation is a Registered Provider with the Homes & Communities Agency and is also registered as a charity with the Charity Commission. The company Surrey Community Development Trust (SCDT) has been operating under the name of **Transform Housing & Support** since June 2011.

Board

The organisation is governed by a Board comprising twelve members, with one vacancy arising in July 2015. The Board members are drawn from a range of backgrounds; their details are shown in page 4. During the year we had one Board vacancy which has been filled. David Turner has been the Chairman of the Board since September 2013. The Board met six times during the year, and also held two Strategy evenings.

The non-executive directors are elected for a three-year term at the Annual General Meeting (AGM). Each director must step down after a three-year period, but is immediately available

for re-election. The maximum consecutive term of office is nine years. The Board has conducted a 'skills audit' and new appointments to the Board are matched against the gaps identified in the audit. The Board carries out annual appraisals of all directors and also evaluates the effectiveness of the Board each year.

The Board delegates some of its responsibilities to the Finance & Audit Committee, which has clear terms of reference and delegated authority. The committee reports back to the Board after each meeting and their recommendations are considered and approved where appropriate.

Finance & Audit Committee

The Finance & Audit Committee oversees the finance function, the internal and external audit activities, risk management and the internal control framework. The committee met four times during the year. The Committee gains internal assurance through the appropriate internal control systems and external assurance from the internal and external audit processes.

Board groups

The Board has, from time to time, set up ad hoc groups for particular defined purposes, such as growth and diversification and recruitment and retention. In the past year, the Board established a remuneration group to review the pay of the Executive Team; the group's recommendations were approved by the Board and subsequently implemented.

Executive Team

The Board is responsible for the appointment of the Chief Executive, to whom day-to-day management of the organisation is delegated. The Chief Executive is supported by two Executive Directors in assisting the Board. These executives and other senior managers make up the Senior Management Team, which meets monthly to ensure the implementation of the agreed strategy and to oversee operational matters.

Board members and the Senior Management Team are insured against personal liability when acting on behalf of the company.

NHF Code of Governance

The Board adopted the National Housing Federation's (NHF) Code of Governance many years ago. The latest version of that Code was issued early in 2015 and the Board has, since the year-end, adopted the new Code, including implementing a range of changes to tighten governance practice, so as to be able to manage the increased risks for the sector. The Board confirms full compliance with this new Code.

Staff

At the year end we had 89 full-time equivalent posts, shown in note 6 to the accounts on page 29. Of these staff, a high proportion (85%) are frontline staff, providing one-to-one support to our clients. We believe that the quality of our service delivery and the strength of our organisation is reliant on the high quality and the commitment of our staff. Transform is committed to a comprehensive programme of training and in the past year has developed training matrices for all staff. Transform was pleased to be re-accredited with the Investors in People award in November 2014, achieving the Bronze standard.

Our most recent staff survey provided positive feedback on the level of staff satisfaction, with all respondents saying that Transform has good employment practices, operates non-discriminatory policies, and provides equal opportunities for promotion and training. A very high proportion of our staff (93%) said that they would recommend Transform as a potential employer to a friend.

Principal activities

Transform's principal activity is to provide housing-related support to vulnerable clients. We are a charitable organisation, operating in two main areas:

- **Housing** for vulnerable people who are homeless or in housing crisis. As at year end we have around 590 housing units and during the year we provided accommodation for 1,045 clients.
- **Specialist one-to-one support** to help clients gain essential life skills, improve health and wellbeing, and build up their confidence.

Public benefit

Transform's aims, objectives and activities demonstrate public benefit, as defined by the Charity Commission. The Board ensures that all our planned activities meet the aims that we have set. Our work helps those on the margins of society to overcome difficulties they face in their lives, such as issues resulting from breakdown in relationships, debt, poor mental health, offending behaviour or substance misuse. All of our work is undertaken to further our charitable purpose of public benefit.

Operating environment

We face on-going pressures around funding for housing-related support, as government funding to local authorities continues to be squeezed. Through two successful tender processes during the year, we retained a remodelled housing-related support contract in Wokingham and a young people's support service in Surrey. Nonetheless, we had to provide budget savings to the local authorities to remain competitive. Moreover, we had to absorb further budget cuts in our remaining Surrey housing-related support contracts, as part of the agreed settlement in 2014 for our funding through to 2017. This has resulted in significant cuts in the housing-related support income during the year and we have had to make savings to compensate for this.

Our development programme funding has mainly been through bank loans, due to the Government approach of reducing capital grant funding. This is supported by surpluses achieved from our operations. We fundraise towards the cost of capital projects and have committed extra effort to support our long term aim of supporting more people. Transform's strong financial position provides a sustainable borrowing capacity to fund future development programmes. The Government's Affordable Housing Programmes permit housing providers to charge higher 'affordable rents' (equivalent to 65-80% of market rent) to fund the development activity. Transform is concerned about charging the higher affordable rent as this can act as a discouragement to work. We are mindful of this when converting properties into higher affordable rents. During the year around 90% of our tenancies were still on social rents (equivalent to around 50-55% of market value).

Our clients, mainly of working age and many of whom require support before being able to succeed in the workplace, are facing welfare benefit cuts, posing significant pressure on their personal finances. This often translates into higher levels of rent arrears. The government welfare reform programme and the planned direct payments to clients have not impacted Transform so far but the policy of sanctions, whereby benefits are temporarily reduced, has had a significant impact. As Transform's accommodation qualifies as 'exempt accommodation' and therefore is outside the current scope of universal credit, we understand that housing benefit will continue to be paid to Transform by local authorities, at least until March 2017.

Business performance

We have managed the business well during the year, generating a good surplus, in excess of the budget for the year.

Our housing stock continues to be maintained to a very high standard and all our properties meet the Decent Homes Standard.

We set challenging target key performance indicators for the year and we are pleased to say that we achieved our targets (with rental void rate 7.1%, arrears 3%, bad debts 1%), while we achieved more than 90% client satisfaction on all aspects.

We have secured all of our existing support contracts until 2017 or 2018, which gives a good foundation to sustain our operations and grow our business.

We have a five-year strategy in place to further grow our fundraising strategy and in 2014/15 had overall income of £222k, exceeding the budget of £200k. An additional £24k of funding was raised for the winter shelter, which is a record year. Transform's Building Chances programme aims to raise £1m towards the cost of new homes for homeless and vulnerable people and has raised £500k to date (July 2015).

We received a number of donations towards specific projects and activities, which are matched with the relevant expenditure when incurred. We are required to disclose the following donations, as a condition of the funding:

- Wates Family Enterprise Trust: £4,500 towards the salary of a Special Projects Officer
- Walton on Thames Charity: £10,000 for operation of the 2015 winter shelter.

Development, growth and diversification

During the year we completed two properties developed under the Affordable Housing Programme 2011-15 in our partnership with the Respond Consortium. This comprised three flats in Farnham in Waverley and seven flats at Englefield Green in Runnymede. Both were completed within budget.

During the year Transform led a partnership with five Surrey Borough Councils to deliver accommodation in owned or leased properties under the Empty Homes Programme. This was a government initiative to improve empty properties to bring them back into use as housing. As part of the programme Transform acquired and improved two properties in Woking and Chertsey. These properties also provide significant social benefit to the local communities by improving the environment where the properties are located.

At the end of March 2015 we started a new development of 12 flats for people with learning disabilities in Wallington, working with the London Borough of Sutton and the Greater London Authority, with completion expected in March 2016.

Diversification and improved efficiency have been strategic priorities and we have achieved this through several means:

- Securing a three-year contract to provide strategic oversight and back office services to a local small sheltered housing provider, Reigate Quaker Housing Association, from January 2015. This utilises our skills and experience and the back office infrastructure.
- Securing mainstream funding for our successful drug and alcohol pilot project in Farnham and Epsom that finished in December 2014, with funding from Surrey Public Health through to March 2017.
- Operating another successful winter shelter for 12 weeks between January and March 2015, this time in Hersham, working with the three boroughs of Elmbridge, Runnymede and Spelthorne, as well as Surrey County Council, many charities, community groups and individuals.

- Successful bid with seven Surrey Boroughs for funding under the Help for the Single Homeless Fund, with Transform providing advice and co-ordination of homelessness provision across these boroughs for 18 months from January 2015.
- Acting as co-ordinator of the Surrey Homelessness Alliance, to promote the importance of the prevention of homelessness across Surrey.

Financial review

The income and expenditure account on page 23 shows that we generated a surplus of £605k for the year, after charging £137k of impairment charges (£661k in 2014 with nil impairment charge). The overall surplus includes £161k surplus on disposal of a property. During the year turnover reduced due to the loss of the Spelthorne temporary accommodation contract and the proportional reduction in income from the transfer of the Sutton mental health contract in the middle of 2013/14. The impairment charge had diluted the operating margin to 12% during the year. However, we have maintained the net margin of around 10%, even with the reduction of turnover.

The five-year financial summary overleaf shows a strengthening financial viability of the business.

Five-year financial summary					
Income and expenditure	2014/15	2013/14	2012/13	2011/12	2010/11
	£000s	£000s	£000s	£000s	£000s
Turnover	6,111	6,404	6,597	6,385	6,491
Operating costs	(5,356)	(5,411)	(5,891)	(5,598)	(5,819)
Operating surplus	755	993	706	787	672
Surplus on property disposal	161	-	-	-	-
Net interest cost	(311)	(332)	(316)	(323)	(334)
Surplus for the year	605	661	390	464	338
Balance sheet	£000s	£000s	£000s	£000s	£000s
Property assets (net book value)	18,146	18,409	17,716	16,316	16,193
Net current assets	2,956	3,040	3,494	4,202	1,377
	21,102	21,449	21,210	20,518	17,570
Loans and long term liabilities	7,919	8,871	9,293	9,318	6,834
Reserves	13,183	12,578	11,917	11,200	10,736
	21,102	21,449	21,210	20,518	17,570
Number of housing units	590	599	604	599	582
Number of clients managed	1,134	1,117	1,035	1,092	1,154
Performance indicators					
Operating margin	12%	15%	11%	12%	10%
Net margin	10%	10%	6%	7%	5%
Interest cover	292%	269%	179%	227%	190%
Gearing	29%	35%	38%	38%	29%
Voids	7%	7%	6%	6%	7%
Debt per unit (£'000)	13	15	15	16	12
Reserve per unit (£'000)	22	21	20	19	18

All the properties owned by Transform are fully compliant with the Government’s Decent Homes Standards. Our asset management approach ensures that there are adequate investments in the properties to achieve continual compliance. Transform owns 535 housing units and manages a further 55 housing units. Our housing properties, including properties under construction (Camperdown development scheme) are stated in the balance sheet at a historic cost of £35.4m.

Our annual surplus is re-invested in property assets to provide homes for a growing number of vulnerable people who need accommodation.



We currently hold £3.6m cash balances, which are higher than normal and will fund our development commitments in the next two years, as shown in note 22 to the accounts. These cash balances are appropriately invested in short and medium term bank deposits.

The £3.6m cash balance, along with the £13.1m general reserves balances in our balance sheet, provides considerable strength and liquidity. Our financial performances comfortably meet the lenders’ loan covenants.

Going concern

The Board regularly reviews our medium term cash flow and is satisfied that Transform has adequate resources to continue in operations for the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing the financial statements.

Main strategies and policies

Business strategy

Our strategy is to provide a value added service to the vulnerable clients that we support and house. We aspire to help more and more people each year and to help them develop new skills and confidence so that they are able to live independently. The Board reviews this strategy annually, updating it in the light of the changing political and regulatory changes.

During the year we have retained the key housing-related support contracts with Surrey and Wokingham. We are now in a position that all of our housing-related support contracts are secured until 2017 or 2018. This enables us to look at tenders or diversification with some certainty. Continuing local authority budget cuts and competition for similar support contracts is continuing to squeeze margins to a dangerously low level. The Board has made a conscious decision not to tender for any housing-related support contracts where there are very low or nil operating margins. Therefore we have been selective about which tenders we bid for.

We are one of the accepted tenderers under the Framework Agreements with the London Boroughs of Sutton and Croydon, albeit this does not give any guaranteed work.

We have been actively seeking diversification opportunities and we are currently working on a number of leads that are likely to materialise in future contracts in 2015/16.

Financial strategy

Our financial strategy is to aim to ensure the financial viability of each of our properties. The Senior Management Team reviews each of our properties every six months. We then consider remedial action for those that are not financially viable. We are continuously reviewing ways to reduce our cost base and are exploring service innovation.

Our Treasury Policy ensures that there is adequate funding available to support our development programme and the excess cash balances are invested appropriately in short and medium term bank deposits to ensure liquidity and also to maximise interest income. Our Treasury Policy limits our bank deposits to secure investments and is regularly reviewed by the Board.

Our loan facility with Barclays is fully drawn and we have a repayment programme in place. The loan balance at the end of the financial year was £8.12m. A high proportion of our debts are secured on fixed interest rates. The Board is currently considering significant development schemes that would require additional loan funding and we are likely to be seeking an additional borrowing facility in the next 18 months.

Rent strategy

Our rent strategy ensures that the rents that we charge are affordable for our clients, particularly for those who are in work. Our rent charges are compliant with the Homes & Communities Agency's Rent Standard.

Transform, along with our partners in the Respond Consortium, has been developing properties under the Homes & Communities Agency's Affordable Housing Programme 2011-2015. We are charging affordable rents on the properties delivered under the programme.

Reserve policy

Our balance sheet as at the year-end has a strong reserve balance position (£13.2m), providing good financial viability and is looked upon favourably by our lenders. Our business plan ensures that our annual income exceeds the expenditure, further strengthening the reserve balances. Our strategy is for cautious expansion and we therefore aim to hold sufficient reserves to be able to support future borrowings.

Value for money

Our value for money approach

We have developed a value for money strategy to ensure that we achieve optimum use of our key resources (properties, staff and finances) and to deliver the best possible outcome for our clients, maximising client satisfaction and optimising performance, leading to improved business viability.

Our strategic approach ensures that value for money is fully embedded across the organisation and strategic objectives cascade from the Board and the Executive Team to the frontline staff through service plans, team plans and individual plans. We are keen to ensure that each member of staff fully understands their role in delivering the value for money strategy and how their contribution supports the overall business performance. The value for money strategy provides a good link between other strategies and incorporates asset management, financial management, human resources and growth plans and runs as a common thread across the organisation.

Our approach to value for money is as follows:

- Improving performance and outcomes
- Increasing client satisfaction
- Managing down the cost of our services.

The process of managing corporate resources has become particularly important in recent years, as local authorities have been forced to cut their housing-related support grant funding in the wake of the recession and cuts in central government funding. We have been seeking to make economies to offset the significant ongoing cuts in funding, particularly since April 2009 when the funding was no longer ring-fenced or protected. Competition for contracts has forced prices down and we have needed to find ways of reducing costs while maintaining service quality. Value for money has therefore been an essential part of our operations.

The following table shows the link between our objectives and our value for money priorities:

Strategic objectives	Value for money priorities
Getting the basics right	<ul style="list-style-type: none"> ▪ Achieve targets for client outcomes and satisfaction levels ▪ Achieve business KPIs on voids, arrears and bad debts ▪ Deliver on promises to our clients ▪ Achieve budgeted surplus to ensure financial viability ▪ Reinvest surpluses in properties ▪ Maintain our properties to Decent Homes Standards ▪ Improve service delivery through the best use of information technology
Growing our services	<ul style="list-style-type: none"> ▪ Retain existing support contracts ▪ Negotiate viable contract extensions ▪ Win new housing-related support contracts ▪ Acquire and develop new housing stock
Diversifying our business	<ul style="list-style-type: none"> ▪ Develop new income streams ▪ Explore service innovation ▪ Improve collaborative working with multiple agencies, for example with health or education initiatives ▪ Collaborate with housing departments on homelessness initiatives ▪ Support other agencies with back office functions and development administration

Financial performance

Transform's income and expenditure account for the year ended March 2015 showed a surplus for the year of £605k (2014: £661k). A summary is shown in the financial review on page 11 above.

Return on property assets

Our property assets enable us to provide accommodation for vulnerable people, facilitating the achievement of our key objective of transforming our clients' lives.

We work with a variety of client groups and provide different types of accommodation to suit our client needs. At 31 March we had 420 properties, comprising 590 units of accommodation. We have a mix of self-contained and shared accommodation. The property management and maintenance costs vary according to a number of factors, such as:

- Property type, ie house or flat
- Size of the property and number of bedrooms
- Age of the property
- Use of the property, ie self-contained or shared accommodation
- Client group, eg mental health, ex-offenders, young people.

These cost variations are built into our annual budget for each property. Each of the properties is shown as a separate cost centre in our accounting system enabling us to analyse the property performances individually. These are shown in our scheme reports which are reviewed quarterly by the Senior Management Team to ascertain the financial viability of the individual schemes.

Transform's return from our properties is represented by the operating surplus from the housing activity before interest cost. This is equivalent to £884k (Note 2 on Page 28 and is shown before the impairment charge: 2014: £881k) on a net property investment of £18m, which represents an average investment return of 5%. Scheme reports assist in determining the return on assets on individual properties, which helps us to identify properties with lower returns and to carry out a property options appraisal, ie whether to retain or sell the property.

During the year we developed a new asset management strategy, to ensure that Transform meets the standards required to deliver high-quality supported housing to our clients, now and in the future. This strategy requires taking timely action as the demand for properties changes, to ensure we retain the right property types in the right locations.

Service benchmarking

	2012/13	2013/14	2014/15	Target	Benchmark
Unit cost per week					
Housing management	£14	£14	£14	£15	£17
Maintenance	£14	£13	£12	£12	£19
Overall housing service	£102	£96	£90	£98	-
Outcomes					
Void loss	5.8%	7.0%	7.1%	7.5%	-
Bad debt loss	1.5%	1.5%	1.0%	1.5%	-
Current tenant arrears	4.3%	4.1%	3.1%	5.0%	-
Emergency repairs completed on time	100%	100%	100%	100%	-
Properties meeting Decent Homes standard	100%	100%	100%	100%	-
Positive move ons	73%	78%	79%	80%	-
Improved client outcomes since receiving support from Transform					
Managing their finances	94%	96%	97%	92%	92%
Managing mental health	85%	89%	88%	84%	84%
Participated in training and education	65%	59%	63%	55%	71%
Long term outcome monitoring survey of former clients					
Improved quality of life	-	100%	100%	90%	-
Feel more confident	-	93%	96%	80%	-
Feel happier	-	86%	92%	80%	-
Feel more secure	-	83%	100%	80%	-
Managing their finances	-	92%	82%	80%	-
Client satisfaction					
Quality of repairs service	97%	98%	98%	95%	-
Quality of housing	96%	96%	97%	95%	-
Advice and support given	98%	98%	98%	95%	-

Our services are benchmarked internally against the last three years' performance. Our cost data appears to be competitive against the sector average. Due to commercial sensitivity, the benchmark details for supported housing are difficult to obtain. Although we joined the benchmarking group for housing-related support providers organised by the National Housing Federation, there is further work required before tangible benefits can be obtained. In addition the larger benchmarking groups like Housemark do not provide any analysis for supported housing. We have used selected data from the HCA's Global Accounts 2014 for the below benchmarking. Client outcomes are benchmarked against data available from other local providers.

As shown in the table above, we are performing well based on historic standards and against the selected benchmark data. The trend shows a continuous improvement in our service delivery. We have compared our service against historic data, targets and the available benchmarked data and are confident that we rank well compared to similar providers in the sector.

The following table shows the outcomes and the client satisfaction levels that we have achieved through the support we offer clients. We are very proud that we are able to demonstrate such positive outcomes and client satisfaction, against the backdrop of reduced support funding.

Social value

The support and housing provided by Transform has an impact on two levels: benefits to the individuals we are supporting and benefits to society as a whole. These combined benefits are referred to as the social value of our work. This social value is created through:

- **Our properties:** We provide safe and secure homes for our clients where they can gain stability in their lives.
- **Support and advice:** The support and advice provided by our staff enhances the independence and quality of life for the people we support.
- **Community activities:** Participation in training, education and volunteering improves the wellbeing and life chances of Transform clients.

We work with clients who have very low incomes and face significant barriers to achieving their potential. Our services have a lasting impact for our clients, empowering them and helping them to turn their lives around. We aim to maximise the impact of our services to generate social, economic and environmental benefits for all our stakeholders – not only clients but also local communities and taxpayers.

With constraints on public spending, funding for our services has reduced while the need for services is increasing. Therefore it is essential that we invest in services that make the biggest impact for our clients, local communities and the government. Measuring social value help us make an informed and evidenced-based decision on investing in the right services.

To demonstrate the social impact of our services, we have carried out a case study on one of our clients living in, Transform dry and drug-free accommodation. We used well-known social value tools to measure the impact of the support provided by Transform and have attributed financial values to the outcomes achieved by our clients. The HACT wellbeing valuation model enabled us to attribute financial values to the wellbeing benefits achieved by the client through our support, while the Capgemini benefits realisation tool allowed us to assess the savings made to the public purse. This study demonstrated that we had generated the following social value for the client in question:

- Total social value generated per year: £60,530
- Total social value for every £1 invested: £6.57.

We believe that this study of our social value is helpful for Transform in demonstrating the value of what we do and has the following benefits:

- Improving the reputation of Transform
- Improving engagement with our clients, communities and local authority commissioners
- Creating opportunities for further investment in our services.

We will be working further with this methodology over the coming year. For full details please see our value for money self-assessment statement.

Value for money gains

We have carried out a number of value for money initiatives over recent years. Some of these deliver tangible financial savings, while others generate increased social value.

The value for money gains realised during the year to 2014/2015 were nearly £300k (£115k through support contract efficiencies and £185k in housing management efficiency savings), which represents 5.8% on our annual operating cost of around £5.2m. These gains are not one-off gains but will continue in future years. The overall savings realised on support costs are passed on to the local authority commissioners through reduced contract prices.

Value for money achievements

We agreed the following value for money priorities for 2014/15 and have made significant progress as detailed below:

- **Review of working practices:** We have now completed our initial reviews and are progressively introducing mobile working practices into frontline teams. This will be a continual process and further work may be required in the future. This has been successfully implemented for our in-house maintenance team and we have already seen some benefits through reduction in maintenance costs.
- **New IT infrastructure:** We are planning to migrate to cloud-based IT infrastructure by November 2015. We believe this will enhance our IT capabilities, supporting frontline mobile working practices and data security.
- **Asset management:** We have implemented our new asset management strategy and believe this will optimise the return on our property assets.
- **Service quality:** We aim to continually improve service delivery and to achieve A-grades across the Supporting People Quality Assessment Framework. We have made significant progress in involving clients across a range of activities such as policy development.
- **Benchmarking:** We are working in the supported housing benchmarking group coordinated by National Housing Federation and hope this will provide an opportunity to provide benchmark data. So far this has been restricted to housing-related activities by the group, emphasising the sensitive nature of the data. Further work is required within this group to achieve the desired outcomes in the future.
- **Building financial resilience:** We intend to diversify into new activities to spread our overhead costs and be less dependent on our core services. We have experienced increasing levels of opportunities and diversified turnover for the coming year.
- **Delivery of new housing:** As promised we have delivered four properties during the year, increasing the housing capacity by 16 units.
- **Social enterprise:** Further work has been done in this area but this initiative is still in the exploratory stages and more work is needed on this.
- **Philanthropy:** We have had the benefit of the use of a property rent-free from a philanthropic donor but are still seeking a second property to purchase, leveraged against the first property.

Future value for money initiatives

- **Roll out digital inclusion:** We are currently piloting digital inclusion in three of our housing schemes. This is currently being fully funded by Transform and at the end of the pilot we will obtain client feedback on their experiences and agree on the feasible funding mechanism to roll out to other schemes.

- **Implement and evaluate mobile working:** Mobile working practices are to be rolled out to frontline teams, supported by data migration to the Cloud. Mobile working practices will be further fine-tuned, enhancing operational efficiencies.
- **Explore revenue fundraising:** We will assess the feasibility of fundraising to cover any shortfall in our running costs.
- **Expand our loan portfolio:** We are currently reviewing our loan funding requirements and hope to arrange a new loan facility in the next twelve months. We aim to go through a tender process to obtain a competitive rate for the funding.
- **Innovation fund:** We will continue to promote this fund, which is open to all staff to bid for funding to trial innovative new projects.
- **Social value measurement:** Further to the social value case study contained in this report, we intend to widen the scope of this measurement to cover other client groups.

For further information about our approach to value for money, please view our Value for Money Self-Assessment Report 2014/15 on our website:

www.transformhousing.co.uk

Risk management

Each year the Board reviews and approves the risk management process and the significant risks facing the organisation and reviews all emerging risks. Our risk management process requires all significant risks to be identified and assessed on a regular basis. We maintain a risk register which is regularly reviewed by the Senior Management Team and by the Finance & Audit Committee.

The key risk facing Transform at the year-end was the political uncertainty around the election and the potential impact on Transform and our clients. Since the year end and the Election, the Board and Senior Management Team have reviewed the impact of Conservative party policies, which are causing some uncertainties for Transform – including potential cuts in funding for local authorities. The policy of withdrawing benefits for young people (aged 18-21) was a major concern; however, the impact of this has been lessened with a proposed exemption for vulnerable young people.

The new Government's policy on right to buy is less likely to impact us, because Transform's accommodation is short term. The impact of cuts to welfare benefits will impact our clients, and thus Transform, though the impact of Universal Credit is limited for Transform to non-housing elements. This is because our accommodation can qualify under 'exempt accommodation rules' and be covered within the local authority housing benefit funding rather than the universal credit until 2017.

The Government announced a 1% reduction in social rents for the next four years in the emergency budget on 8 July 2015. As shown in note 28 on page 36, though this has a significant impact on our future surpluses, we expect to sustain our financial viability.

We hold sensitive personal data on our clients and have responsibility for data security under the Data Protection Act. To manage the risk of data loss, we are to move the data to a cloud provider in the summer of 2015; the cloud provider is Node4 who have 'tier 4' data centres with ISO 27001 data compliance, which will provide better data security assurance.

Another key risk is the occurrence of any serious safeguarding incident with our clients, resulting in adverse publicity and serious reputational damage. We are aware of this, and have rigorous safeguarding policies, recruitment and training procedures in place to mitigate this risk.

Under the Homes & Communities Agency's new governance regulations the risk management process is given high prominence. Our Finance & Audit Committee has reviewed our risk management process under the new regulatory requirements.

Internal control

The Board acknowledges its overall responsibility for establishing and maintaining the whole system of internal controls and for annually reviewing its effectiveness.

The system of internal control is designed to manage, rather than 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 on-going and has been in place throughout the period commencing 1 April 2014 up to the date of the report and the financial statements.

The key elements of the framework include:

- Board approved terms of reference and delegated authority to the Finance & Audit Committee
- Clearly defined management responsibilities for the identification, evaluation and control of significant risks
- Good strategic and business planning processes with detailed financial budgets and forecasts
- Formal recruitment, retention, training and development policies for all staff
- Established authorisation and appraisal procedures for new initiatives and development projects
- Strong treasury management policies and practices reviewed by the Finance & Audit Committee and regular external validation by auditors
- Regular Board reporting on key objectives, targets and client outcomes
- Board approved and well communicated whistle-blowing policy and anti-corruption and bribery policy, dealing with the reporting of any actual or suspected fraud
- Regular monitoring of loan covenants and the requirements for new loan facilities

The fraud register is maintained and is inspected by the internal auditors and we have regular fraud updates to the Audit Committee with any events. During the year there were no incidents of fraud. The Internal Audit Partner from TIAA visited the Finance & Audit Committee meeting in May 2015 providing assurance to the Committee and Board.

Statement of responsibilities of the Board

The Board is responsible for the preparation of the Directors' Report and the financial statements in accordance with the applicable law and regulations.

Company law requires the Board to prepare financial statements for each year. Under the law the Board has elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Principles (UK GAAP). Under Company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the statement of affairs and profit or loss 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 Update 2010, have been followed, subject to any material departures disclosed and explained in the financial statements.
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose them with reasonable accuracy at any time and enable them to ensure that the financial statements comply with the Companies

Act 2006. They are responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other regularities.

In so far as each of the directors is aware:

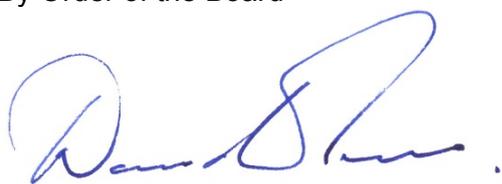
- There is no relevant audit information of which the company's auditors are unaware: and
- The directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The directors are responsible for the maintenance and integrity of the corporate and financial information included in the company's website.

External auditors

Nexia Smith & Williamson were appointed as external Auditors at our Annual General Meeting on 25 September 2014. A resolution for their re-appointment will be proposed at the forthcoming Annual General Meeting on 24 September 2015.

By Order of the Board



David Turner
Chairman

30 July 2015

Nexia Smith & Williamson

Report of the independent auditors to the members of Transform

We have audited the financial statements of Transform for the year ended 31 March 2015 which comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement, and the related Notes 1 to 29. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the charity'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 charity'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 charity and the charity's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditor

As explained more fully in the Statement of Board's Responsibilities set out on pages 19-20, the Board (who are also the directors of the company for the purposes of company law) is responsible for the preparation of financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council (FRC's) Ethical Standards for Auditors.

Scope of the audit of financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the charity's affairs as at 31 March 2015 and of its income and expenditure 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 2012.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Report of the Board of Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

The matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 and the Housing and Regeneration Act 2008 require us to report to you if, in our opinion:

- a satisfactory system of control over transactions has not been maintained; or
- 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 directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Jonathan Pryor
Senior Statutory Auditor
for and on behalf of
Nexia Smith & Williamson
Statutory Auditors
Chartered Accountants
25 Moorgate
London WC2R 6AY
4 August 2015

Income and expenditure account for the year to 31 March 2015

Income and expenditure account

	Note	2015 £'000	2014 £'000
Turnover	2	6,111	6,404
Operating costs	2	<u>(5,356)</u>	<u>(5,411)</u>
Operating surplus		755	993
Surplus on sale of housing properties	4	161	-
Interest receivable and other income	7	34	44
Interest payable and similar charges	8	<u>(345)</u>	<u>(376)</u>
Surplus for the year	9	<u>605</u>	<u>661</u>

The company's turnover and expenses all relate to continuing operations.

The company has no recognised surpluses, other than the surpluses for the year.

The notes on pages 26 to 36 form part of these financial statements.

Balance sheet as at 31 March 2015

	Note	2015		2014	
		£'000	£'000	£'000	£'000
Tangible fixed assets					
Housing properties	10		35,406		34,450
Social Housing Grant	10		(12,929)		(12,054)
Other grants	10		(829)		(789)
Depreciation	10		(3,644)		(3,344)
			<u>18,004</u>		<u>18,263</u>
Other tangible fixed assets	11		142		146
			<u>18,146</u>		<u>18,409</u>
Current assets					
Debtors	12	951		355	
Cash in bank and in hand	13	<u>3,585</u>		<u>3,975</u>	
		4,536		4,330	
Creditors: amounts falling due within one year	14	<u>(1,580)</u>		<u>(1,290)</u>	
Net current assets			<u>2,956</u>		<u>3,040</u>
Total assets less current liabilities			<u>21,102</u>		<u>21,449</u>
Creditors: amounts falling due after more than one year	15		7,912		8,831
Provision for liabilities and charges	18		7		40
Capital and reserves					
General reserves	20	13,067		12,468	
Restricted reserves	21	<u>116</u>		<u>110</u>	
			<u>13,183</u>		<u>12,578</u>
			<u>21,102</u>		<u>21,449</u>

The financial statements were approved by the Board of Directors on 30 July 2015 and were signed by the following officers:

David Turner
Chairman

David Steeds
Chairman of the Finance and
Audit Committee

Cash flow statement for the year ended 31 March 2015

	Note	2015		2014	
		£'000	£'000	£'000	£'000
Net cash inflow from operating activities	24		759		1,156
Interest received		34		44	
Interest paid		(345)		(376)	
Net cash outflow from return on investment and servicing of finance			(311)		(332)
			448		824
Capital expenditure:					
Purchase and construction of housing properties	10	(1,336)		(1,126)	
Social Housing Grant received	10	523		41	
Sales proceeds		300		14	
Purchase of other fixed assets	11	(56)		(63)	
Net cash outflow from capital expenditure			(569)		(1,134)
Cash outflow before financing			(121)		(310)
Financing:					
Loans received		-		-	
Loans repaid		(270)		(270)	
Net cash outflow from financing			(270)		(270)
Decreases in cash	25		(391)		(580)

Notes to the financial statements

1. Principal accounting policies

Basis of accounting

The financial statements are prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) and the Statement of Recommended Practice (SORP) by Registered Social Housing Providers Update 2010 and comply with the Accounting Direction for Private Registered Providers of Social Housing 2012.

The accounting policies applied to the financial statements are unchanged from the prior year.

Turnover

Turnover represents rental income receivable, grants from local authorities and housing-related support teams and charitable donations. Turnover is recognised on a receivable basis, with the exception of charitable donations described below.

Housing-related support income

Housing-related support 'block subsidy grants' are treated as social housing income in the income and expenditure statement and 'block gross grants' as other social housing 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 on a receipt basis.

Fixed assets and depreciation

Depreciation is charged over the useful economic lives of the structure and components of freehold and leasehold properties or the unexpired period of leasehold properties when this is shorter. No depreciation is charged on freehold land. Depreciation is charged on a straight-line basis. Depreciation is charged on qualifying fixed assets based on the following economic lives:

Freehold and leasehold 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
Furniture and fittings	7 years
Office equipment	7 years
Office fittings	10 years
Computer equipment and software	3 years

Housing properties under construction are stated at cost, less related social housing and other grants. Costs include the acquisition of land and/or buildings, development costs, interest charges incurred during the development period, and the expenditure in respect of improvements.

1. Principal accounting policies (continued)

Housing properties, with the individual components, are depreciated over a period of 50 years and are subject to impairment reviews annually. Other assets are reviewed for impairment if there is an indication that impairment may have occurred. Where there is evidence of impairment, fixed assets are written down to their recoverable amount, being the higher of net realisable value or the value in use to the company. Any such write down is charged to the operating surplus.

Works to existing housing properties

Transform capitalises expenditure on housing properties, which is deemed to increase the net rental stream over the life of the property. An increase in the net rental stream may arise through an increase in the rental income or a reduction in future maintenance costs from the standard originally obtained when the property was first acquired or constructed or significant extension to the life of the property.

When a component forming part of a housing property reaches the end of its economic life and is replaced, the original component is treated as a disposal and its replacement is capitalised. Any residual value of the original component is written-off as a loss on disposal.

Social Housing Grant

Social Housing Grant (SHG) is receivable from the Homes & Communities Agency (HCA) and is utilised to reduce the capital cost of the housing properties, including land costs. It is allocated to the land and structure of the associated property. SHG is released on the sale of the property and may be repayable but is normally available to be recycled crediting the Recycled Capital Grant fund.

Other government grants

Other grants are receivable from local authorities and other organisations. Capital grants are utilised to reduce the capital cost of housing properties, including land costs. These grants are repayable in certain circumstances, such as the sale of the related property.

Housing loans

All housing loans are advanced by a single lender, Barclays Bank PLC, under a loan agreement. Some properties are charged against this loan and any finance and issue costs relating to this loan are capitalised and are amortised over the period of the loan facility.

Pension costs

Transform Housing & Support makes pension contributions into individual pension plans set up for each member of staff. The pension plans are all defined contribution schemes and are operated by Aviva. The cost is charged to the income and expenditure account in the year of expenditure.

Operating leases

Costs in respect of operating leases are charged on a straight line basis over the lease term to the income and expenditure account.

Value Added Tax

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

Restricted reserves

Restricted reserves contain grants and donations that were given to Transform for specific projects. These will be matched with the relevant expenditure when incurred.

2. Particulars of turnover, operating costs and operating surplus

2015	Note	Turnover	Operating costs	Operating surplus/ (deficit)
		£'000	£'000	£'000
Social housing lettings	3	3,515	2,768	747
Other social housing activities				
Housing-related support contract income		2,302	2,354	(52)
Fundraising income		222	157	65
Other income		72	77	(5)
		<u>6,111</u>	<u>5,356</u>	<u>755</u>
2014	Note	Turnover	Operating costs	Operating surplus/ (deficit)
		£'000	£'000	£'000
Social housing lettings	3	4,082	3,201	881
Other social housing activities				
Housing-related support contract income		2,180	2,100	80
Fundraising income		106	81	25
Other income		36	29	7
		<u>6,404</u>	<u>5,411</u>	<u>993</u>

3. Particulars of income and expenditure from social housing lettings

	Note	2015 £'000	2014 £'000
Rents receivable net of identifiable service charges		2,672	2,698
Charges for housing-related support services		53	511
Service charges income		790	873
Turnover from social housing lettings	2	<u>3,515</u>	<u>4,082</u>
Expenditure:			
Service charge costs		718	736
Management		376	337
Routine maintenance		402	400
Planned maintenance		184	181
Bad debts		39	60
Property lease charges		196	291
Depreciation of housing properties		376	350
Impairment of housing properties		137	-
Other costs		340	846
Operating costs on social housing lettings	2	<u>2,768</u>	<u>3,201</u>
Operating surplus on social housing lettings		<u>747</u>	<u>881</u>
Void losses		<u>(248)</u>	<u>(305)</u>

All of Transform's activities relate to providing housing and/or support.

4. Surplus on disposal of housing property

	2015 £'000	2014 £'000
Disposal proceeds less selling costs	293	-
Carrying value of fixed asset	(132)	-
	<u>161</u>	<u>-</u>

The disposal of a property in Surrey Heath generated a surplus with no grant recycling, as there was no grant allocated to this property.

5. Directors' emoluments and expenses

For the purpose of this note, the Directors are defined as the Board members and the members of the Executive Team as shown on page 4. None of the Board members received any emoluments.

	2015 £'000	2014 (Restated) £'000
Aggregate emoluments and expenses payable to the Executive Directors	215	215
The highest paid Executive's:		
Emoluments	73	74
Pension contributions (same basis as other staff)	6	6

The Chief Executive was also the highest paid director, and his pension arrangements are similar to those of other staff – a money-purchase pension scheme with no additional benefits.

6. Employee information

The average number of full-time employees of Transform (based on a standard working week of 37 hours):	2015	2014
Housing and support staff	68	77
Administration staff	15	15
Maintenance staff	6	6
	<u>89</u>	<u>98</u>

Staff costs for the above persons:	2015 £'000	2014 £'000
Wages and salaries	2,267	2,417
Social security costs	200	225
Other pension costs	167	150
	<u>2,634</u>	<u>2,962</u>

Only three staff members (including executive directors) received remuneration above £60k for the year (2014- two staff members). Two of these staff members were within the salary band of over £60k but within the £70k limit (2014 two staff members) and one staff member (2014 none) in the higher salary band of over £70k but within £80k.

7. Interest receivable and similar income

	2015	2014
	£'000	£'000
Interest from bank deposits	<u>34</u>	<u>44</u>

8. Interest payable and similar charges

	2015	2014
	£'000	£'000
Interest payable on bank loans	362	387
Interest capitalised on properties under construction	<u>(17)</u>	<u>(11)</u>
	<u><u>345</u></u>	<u><u>376</u></u>

During the year, £17k of interest costs (£11k for 2013/14) was capitalised against housing properties under construction. We have used a cost of capital of 4.6% (4.6% for 2013/14) for this capitalisation.

9. Surplus on ordinary activities

	2015	2014
	£'000	£'000
The operating surplus is arrived at after charging:		
Depreciation	435	413
Loss on replacement of property components	28	28
Impairment of housing properties	137	-
Surplus on disposal of housing properties	(161)	-
Operating lease rentals:		
Land and buildings	256	245
Other leases	34	42
Auditors' remuneration (excluding VAT):		
Audit fees	10	10
Other services	1	2

10. Tangible fixed assets – Properties

	Housing properties £'000	Properties under construction £'000	Total housing properties £'000
Cost			
At 1 April 2014	33,813	637	34,450
Additions	104	1,231	1,335
Schemes completed	1,808	(1,808)	-
Impairment	(157)	-	(157)
Disposals	(222)	-	(222)
At 31 March 2015	<u>35,346</u>	<u>60</u>	<u>35,406</u>
Depreciation			
At 1 April 2014	3,344	-	3,344
Charges for the period	376	-	376
Impairment	(20)	-	(20)
Disposals	(56)	-	(56)
At 31 March 2015	<u>3,644</u>	<u>-</u>	<u>3,644</u>
Social Housing Grants			
At 1 April 2014	12,052	2	12,054
Additions	-	238	238
Grant re-classification	805	-	805
Grant transfer to RCGF	(168)	-	(168)
Schemes completed	180	(180)	-
At 31 March 2015	<u>12,869</u>	<u>60</u>	<u>12,929</u>
Other grants			
At 1 April 2014	789	-	789
Additions	-	40	40
Schemes completed	40	(40)	-
At 31 March 2015	<u>829</u>	<u>-</u>	<u>829</u>
Net book value			
At 31 March 2015	<u>18,004</u>	<u>-</u>	<u>18,004</u>
At 31 March 2014	<u>17,628</u>	<u>635</u>	<u>18,263</u>

Some of Transform's property leases had break clauses, which have now expired and the leases are expected to continue the full 30-year term. The related grants (£805k) which were previously treated as long term liabilities are now reclassified as grant in the above note.

The Camperdown scheme, which is currently in development, is shown as properties under construction. As at the year-end we had received a higher level of grant than we had spent on the development, and the excess grant is shown as grants received in advance, creditors in Note 14. As part of the Camperdown development we had to demolish part of the existing building and had to write down the property value by £137k (net of accumulated depreciation), the impact is shown as property impairment.

The above additions shown under completed housing properties of £104k relate to the cost of replacing property components.

10. Tangible fixed assets – Properties (continued)

Housing properties book value, net of depreciation and grants comprises:

	2015 £'000	2014 £'000
Freehold land and buildings	16,493	15,803
Long leasehold land and buildings	2,244	2,268
Short leasehold land and buildings	(733)	192
	<u>18,004</u>	<u>18,263</u>

11. Other tangible fixed assets

	Scheme furniture & fittings £'000	Office fittings equipment & computers £'000	Total furniture & equipment £'000
Cost			
At 1 April 2014	255	215	470
Additions	32	24	56
Disposals	(1)	-	(1)
At 31 March 2015	<u>286</u>	<u>239</u>	<u>525</u>
Depreciation			
At 1 April 2014	140	184	324
Charges for the period	40	19	59
At 31 March 2015	<u>179</u>	<u>202</u>	<u>381</u>
Net book value			
At 31 March 2015	<u>107</u>	<u>37</u>	<u>142</u>
At 31 March 2014	<u>115</u>	<u>31</u>	<u>146</u>

12. Debtors

	2015 £'000	2014 £'000
Due within one year		
Rent and service charges receivable	198	211
Less: Provision for bad and doubtful debts	(68)	(69)
	<u>130</u>	<u>142</u>
Other debtors	693	121
Prepayments and accrued income	128	92
	<u>951</u>	<u>355</u>

13. Cash in bank and in hand

	2015	2014
	£'000	£'000
Cash in bank and in hand	<u>3,585</u>	<u>3,975</u>

The cash balance represents Transform's working capital and the additional loan drawdown before the expiry of a favourable loan arrangement. This balance is currently held in term deposits, until it is required to meet the capital commitments of £2.6m (2014 – £3.2m) as at 31 March 2015 (as shown in note 22) and other capital schemes that the Board is currently considering.

14. Creditors: Amounts falling due within one year

	Note	2015	2014
		£'000	£'000
Housing loans	17	270	270
Grant from HCA		-	154
Trade creditors		278	201
Loan interest due		56	62
Rent and service charges received in advance		35	33
Social Housing grants received in advance		245	-
Recycled Capital Grant fund	16	168	-
Capital accruals and retentions		29	100
Other creditors		282	247
Other taxation and social security		74	75
Other accruals and deferred income		<u>143</u>	<u>148</u>
		<u>1,580</u>	<u>1,290</u>

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

	Note	2015	2014
		£'000	£'000
Housing loans	17	7,912	8,180
Grants from HCA		-	651
		<u>7,912</u>	<u>8,831</u>

16. Recycled capital grant fund

	Note	2015	2014
		£'000	£'000
Grants recycled	14	<u>168</u>	-
		<u>168</u>	-

This represents grants that had been released from the existing Camperdown building and is likely to be transferred to the new development scheme, when the scheme is complete.

17. Debt analysis

Housing loans from the bank are secured by specific charges on Transform's housing properties and are repayable in instalments as shown below. The interest rates on these loans range from 1.0 % to 6.2%.

	2015	2014
	£'000	£'000
Due within one year	270	270
Between one and two years	270	270
Between two and five years	810	810
In five years or more	6,840	7,110
Loan issue costs	(8)	(10)
	<u>8,182</u>	<u>8,450</u>

18. Provisions for liabilities and charges

	2015	2014
	£'000	£'000
Balance at 1 April	40	40
Movement	(33)	-
Balance at 31 March	<u>7</u>	<u>40</u>

The above provision covers the dilapidation liabilities on the lease of Transform's Central Office.

19. Pension obligations

The pension arrangements operated by Transform consist of payments to a defined contribution scheme established for each qualifying and participating member of staff.

20. General reserves

	2015	2014
	£'000	£'000
Reserves at 1 April	12,468	11,799
Surplus for the period	605	661
Transfer (to) from restricted reserves	(6)	8
Reserves at 31 March	<u>13,067</u>	<u>12,468</u>

21. Restricted reserves

	2015	2014
	£'000	£'000
Restricted reserves at 1 April	110	118
Transfer from / (to) general reserves	6	(8)
Restricted reserves at 31 March	<u>116</u>	<u>110</u>

22. Financial commitments

Capital expenditure commitments are as follows:

	2015	2014
	£'000	£'000
Expenditure contracted but not provided for in the accounts	1,899	997
Expenditure authorised by the Board but not yet contracted	1,508	3,675
	<u>3,407</u>	<u>4,672</u>

The above commitments will be funded by a combination of cash deposits (£2.623m), Social Housing Grants (£494k) and fundraising (£290k).

Operating leases

As at 31 March 2015 Transform had annual commitments under non-cancellable operating leases as follows:

	2015	2015	2014	2014
	Property	Others	Property	Others
	£'000	£'000	£'000	£'000
Operating leases that expire:				
Within one year	72	15	73	16
Within two to five years	24	17	47	21
In five years or more	153	-	112	-
	<u>249</u>	<u>32</u>	<u>232</u>	<u>37</u>

23. Reconciliation of net cash flow to movement in net debt

	2015	2014
	£'000	£'000
Decrease in cash	(390)	(580)
Cash outflow from decrease in debt	270	270
Cash outflow before financing	<u>(120)</u>	<u>(310)</u>
Net debt at 1 April	(4,485)	(4,175)
Net debt at 31 March	<u>(4,605)</u>	<u>(4,485)</u>

24. Reconciliation of operating surplus to net cash inflow from operating activities

	2015	2014
	£'000	£'000
Operating surplus for the year	755	993
Depreciation of tangible fixed assets	435	413
Loss on replacement of components	28	28
Impairment on housing properties	137	-
Amortisation of loan arrangement fee	2	2
	<u>1,357</u>	<u>1,436</u>
Movements in working capital		
Increase in debtors	(596)	(26)
Increase/ (decrease) in creditors	31	(254)
Decrease in provision for dilapidation	(33)	-
Net cash inflow from operating activities	<u>759</u>	<u>1,156</u>

25. Analysis of changes in net debt

	At 1 April 2014 £'000	Cash flows £'000	Other changes £'000	At 31 March 2015 £'000
Cash in hand and at bank	3,975	(390)	-	3,585
Debt due within one year	(270)	270	(270)	(270)
Debt due after one year	(8,190)	-	270	(7,920)
Changes in net debt	(4,485)	(120)	-	(4,605)

26. Social housing units

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

	2015	2014
Owned and managed	535	515
Not owned but managed	55	84
	<u>590</u>	<u>599</u>

27. Taxation status

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

28. Post-balance sheet event

The Government delivered an emergency budget on 8 July 2015, which has significant effects for the social housing sector. This includes a 1% reduction in social rent for the next four years from April 2016. Though this has a significant financial impact on the future surpluses, our initial assessments of the repercussions have confirmed that Transform's going concern position and its compliance with covenants are not placed at risk. The Board will continue to monitor carefully further developments in relation to welfare reform, rent reductions and other changes to our funding environment.

29. Legislative provisions

Transform Housing & Support is the operating name of Surrey Community Development Trust. Surrey Community Development Trust is a company limited by guarantee, not having a share capital, and has permission to omit the word 'limited' from its name. The governing document is the Memorandum and Articles of Association.