



**Evolve  
Housing  
+ Support**

## **Report and Financial Statements**

**Year ended 31 March 2020**

Company number: 4796537

Registered Charity number: 1099051

Homes England registration number: H4400

# Evolve Housing + Support

Report and Financial Statements for the year ended 31 March 2020

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# Evolve Housing + Support

## Directors, Executives and Advisers

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### Directors

Karen Cooper  
Diana Coman  
Charles Fraser  
Paul Infield  
Bukky McGlynn  
Simon McGrath  
Paul Perkin  
Mark Rowe  
Isabel Sanchez  
David Shrimpton  
Vicky Wallace

Chair  
  
(Resigned 5 December 2019)  
  
(Appointed 3 July 2020)

### Auditor

BDO LLP  
55 Baker Street  
London W1U 7EU

### Solicitors

Winckworth Sherwood LLP  
Minerva House  
5 Montague Close  
London SE1 9BB

### Company Secretary

Jenny Strudwick

Ashfords LLP  
Ashford House  
Grenadier Road  
Exeter EX1 3LH

### Registered office

16 – 20 Kingston Road  
South Wimbledon  
London, SW19 1JZ

### Bankers

HSBC Bank plc  
9 Wellesley Road  
Croydon CR9 2AA

### Audit Committee

Mark Rowe  
David Shrimpton  
Paul Perkin  
Vicky Wallace  
David Carton

Chair from 5 September 2019  
Interim Chair until 5 September 2019  
  
(Resigned 9 June 2020)

Santander UK plc  
100 Ludgate Hill  
London EC4M 7RE

### Executive Management Team

Jeremy Gray	Chief Executive
Debra Ives	Director of Operations
Jenny Strudwick	Director of Corporate Services
Alice Hainsworth	Director of Business Development
Elsbeth Hayde	Director of People and Culture

# Evolve Housing + Support

## Directors' Report for the year ended 31 March 2020

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### STRUCTURE, GOVERNANCE AND MANAGEMENT

Evolve Housing + Support ("Evolve") is a company limited by guarantee, a registered charity and a registered social landlord. It is governed by its Articles of Association.

The governing body of the organisation is the Board, which comprises not less than seven and not more than twelve members.

Board members are elected for a three year period and may be re-elected for up to two further three year periods. All members of the Board give their time voluntarily and receive no benefits from the organisation. Trustee liability insurance is arranged annually.

A regular appraisal exercise is carried out for Board Members by the Chair, together with an annual skills audit. Both of these allow gaps in the Board to be identified, to enable targeted recruitment. All members are given the opportunity to receive additional training. Current customers sit on our Customer Scrutiny Panel, which reports regularly to senior staff and the Board. A register is kept of the interests of Board members and specific declarations of interest are sought at every Board meeting.

The main responsibility of the Board is to formulate the strategic plans of the organisation along with the budget and financial monitoring. It receives regular reports on all aspects of the work of the organisation and meets formally at least quarterly. Away days are held annually with the Chief Executive and senior managers to discuss and plan future strategy based around a comprehensive business plan. The Board delegates the main day to day decisions to the Chief Executive and the Corporate Management Team.

The Board has established and formally constituted the Audit Committee as a sub-committee of the Board, with specific terms of reference and functions delegated by the Board and with Board members representing the Board's interest on the committee. The Chief Executive, the Director of Operations and the Director of Corporate Services attend all the Audit Committee meetings, as do other senior managers as appropriate.

The Board confirms that the organisation complies with the regulatory frameworks and standards issued by its regulators - the Regulator of Social Housing and the Charity Commission. In addition the organisation has adopted the National Housing Federation's (NHF) Code of Governance 2015. The organisation complied with the relevant requirements of these frameworks, including the Governance and Viability Standard, throughout the year under review, and continues to do so.

Evolve was incorporated as a company limited by guarantee on 12 June 2003, under the name "South London YMCA". It was registered as a charity with the Charity Commission on 19 August 2003 and as a social landlord with the Regulator of Social Housing (formerly the Homes and Communities Agency) on 11 September 2003.

### OBJECTIVES AND ACTIVITIES

#### Purposes and Aims

The primary objects of Evolve are:

- to provide, improve and manage houses or hostels providing residential accommodation and associated amenities, facilities and services for people of all ages who are in need, hardship or distress by reason of their social, physical or economic circumstances;
- to relieve or assist in the relief of people of all ages who are in need, hardship or distress by reason of their social, physical or economic circumstances.

Our aim is to help children, young people and adults who are homeless or at risk of homelessness to become independent and resilient. We believe in building on people's strengths, aspirations and goals to help them break the cycle of homelessness. We offer a programme of support tailored to meet people's individual needs, including housing, employment and skills training, mentoring and counselling. We work with young parents and children at risk of exclusion to build the skills and resilience that can help prevent homelessness. We campaign to end street homelessness. Our aim fully reflects the purposes that the organisation was set up to further.

# Evolve Housing + Support

## Directors' Report for the year ended 31 March 2020

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We review our aim, objectives and activities each year. This review looks at what we have achieved and the outcomes of our work. It looks at the success of each key activity and the benefits they have brought to those groups of people we are set up to support. The review also helps us ensure our aims, objectives and activities remain focused on our stated purposes. We refer to the Charity Commission's general guidance on public benefit when reviewing our aims and objectives and in planning our future activities. In particular, the Board considers how planned activities will contribute to the aims and objectives it has set.

### How our activities deliver public benefit

Our main activity is the provision of supported housing and those who benefit from our services are described below. Our charitable activities focus on the support of homeless people and those at risk of homelessness, with the aim of supporting them to develop the skills and/or insight needed to live independently. The Directors have taken due regard of the Charity Commission guidance on public benefit and have satisfied themselves that the charitable activities undertaken by the organisation are for the furtherance of its charitable purposes and satisfy the requirements of public benefit.

### Who uses and benefits from our services?

Whilst our objects are not geographically limited, our funding streams mean that the services we provide are primarily to the residents of the London Boroughs of Croydon, Lambeth, Lewisham, Bromley, Merton, Sutton and Wandsworth and the Royal Borough of Kensington and Chelsea. We plan to expand these services into neighbouring boroughs as opportunities arise.

Our core client group is homeless and vulnerable people of all ages. Our accommodation-based services cover a broad range of customer groups, including young people at risk, teenage parents, care leavers, young families with no recourse to public funds, single homeless adults, people with severe and enduring mental health needs and previously excluded rough sleepers with complex needs.

Access to our accommodation-based services is managed via the local authority which funds the particular service. This process ensures that our services continue directly to meet the needs of the boroughs in which we work.

During the year we have continued to provide our Work and Learning service and our Health and Wellbeing service to deliver focussed support and training to our customers.

In addition to our residential services we also run mentoring schemes for 11 to 15 year old children under attaining or at risk of exclusion from school and a peer support service to support severely disadvantaged people within the community to overcome multiple barriers to accessing training, volunteering and employment opportunities.

### Fundraising

Charity law requires charities to make a statement regarding fundraising activities. The legislation defines fundraising as 'soliciting or otherwise procuring money or other property for charitable purposes'. Such amounts receivable are presented in these accounts in other operating income.

We are working with a PR agency and digital media advisers to raise our public profile and attract donations. We have a Fundraising Strategy and a Stakeholder Engagement Strategy, both approved by our Board. We do not work with any professional fundraisers, or use cold calling or direct mail. We are registered with the Fundraising Regulator and comply with their code of practice. The day to day management of all income generation is delegated to the executive team who are accountable to the Directors.

We have received no complaints in relation to fundraising activities.

# Evolve Housing + Support

Directors' Report for the year ended 31 March 2020

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## STRATEGIC REPORT

### ACHIEVEMENTS AND PERFORMANCE

In June 2019, the Board approved our 2019-22 Business Plan. Our strategic objective is to inspire our team to create positive change, reach more people and sustain our future.

This report gives a snapshot of the many achievements and improvements in service provision for our customers during the year to 31 March 2020. The coronavirus pandemic unfolded right at the end of the financial year and its effects are considered further under the section 'Plans for the Future' below.

The Directors acknowledge that the achievements of the year were only possible through the hard work of our staff and the commitment of our partners, including the London Boroughs of Croydon, Lambeth, Lewisham, Bromley, Merton and Wandsworth and the Royal Boroughs of Kensington and Chelsea and Kingston Upon Thames. Homes England, the National Lottery Community Fund, BBC Children in Need, City of London Corporation City Bridge Trust, Sir Walter St John Educational Charity, Street Smart, Pret a Manger, Centrale Shopping Centre Croydon, Walter Lily, the European Social Fund, the Greater London Authority, London Hostels Association and many charitable trusts, groups and individuals also continue to support our work.

#### Operations

At 31 March 2020, Evolve provided 650 beds of supported housing in the London Boroughs of Croydon, Lambeth, Bromley, Merton and Wandsworth and the Royal Borough of Kensington and Chelsea.

The support we offer within our accommodation-based services is funded through local authority contracts, and we work to ensure that we are meeting the needs of our customers and the strategic needs of our commissioners. Our staff teams are equipped to work with and support the most vulnerable and complex people within the communities we serve, and have the flexibility to be able to change our service offering to meet new strategic needs if required.

#### Health and Safety

Since the devastating fire at the Grenfell Tower in June 2017 building safety and fire prevention are at the forefront of housing policy. Whilst safety has always been at the top of our agenda, we have invested, and continue to invest, significant sums in fire safety remedial work and improving fire prevention arrangements at our services in order to meet revised standards and anticipated new building regulations. All our buildings have regular fire safety inspections by the London Fire Brigade and have expert fire risk assessments in place. We have one cladding remediation project underway which will be complete by the end of 2020. At one of our other buildings, we have identified that cladding has been incorrectly installed and will need to be replaced. We have plans in place to carry out this work, but costs will be very significant.

#### Improving Quality

Customer involvement and co-production remains a strong theme across all of our work. We ensure that customers are involved in the operational management of our services. Customer Champions attend staff meetings, participate in interview panels for staff, audit the quality of our services, act as peer mentors/advisors to other customers, peer facilitate group activities and participate in organisation wide project teams to review and improve the ways we work.

Our Customer Scrutiny Panel, a customer led group which undertakes reviews of areas of our working practice and makes recommendations for change, has completed its seventh review, on complaints practice. In 2019, the panel reviewed how the move-on process works in practice. The "Move on Report" documents how it could be improved. In 2020/21 the panel will review co-production.

In 2019/20 we had the second year of our People Plan. We designed an Innovation Scheme, developed a training route for people wanting to move into management, identified some advanced training for our service based staff and created a range of ways to brief colleagues after serious incidents at services.

# Evolve Housing + Support

## Directors' Report for the year ended 31 March 2020

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Our balanced scorecard system includes outcomes and co-production measures. Our internal quality framework uses the excellence model to audit and assess each area of a service's operations. In 2019/20 we rolled this framework out to audit our corporate departments such as finance and HR. All central services were audited between April and June in 2019 with audits led by a director or area manager and supported by service managers and other members of central services. Overall scores for the audit showed 13% of all areas were Excellent, 56.2% Good, 20.3% Partially Met and 10.5% Not Met against the ratings. There is some highly positive work taking place centrally and some key areas for improvement where action will be taken forward by each department.

We participate in the Pan-London Homelessness Benchmarking Group, which comprises eight London based homelessness sector organisations that benchmark performance in a number of areas. We are also part of the Small Providers Benchmarking Group (SPBM) to benchmark housing management metrics.

In our 2019 customer survey, 90% of respondents stated that they were satisfied with the service they received from us, and 87.5% agreed that we understand their needs. Both show an increase from the previous year. We always look to improve these results and increase the impact of our services.

### Community Services

In March 2020 we combined our Counselling and Health and Wellbeing programmes. Funding through the Community Fund capabilities arm has enabled us to develop a single referral pathway for all Health and Wellbeing programmes on our customer database and to provide staff training across the organisation in psychological wellbeing.

Our three year Work + Learning programme, which is supported by the Lottery Community Fund is mid-way through and has exceeded most of its targets. The programme provides enhanced support and psychological expertise to customers and teams. The team provides core training on mental health to all staff and our staff are then enabled to work with complex customers on a one to one basis providing a flexible approach and supporting them with mental health issues. We have excelled in our targets for engagement and outcomes and worked with over 200 customers throughout the year. This has included 150 one-to-one interventions and over 100 workshops. We have more than doubled our target number with 15 Peers against a target number of six for the life span of the project.

Our counselling programme is a swift access counselling service provided for the customers of our accommodation-based services by volunteer counsellors. The service is supported by the City of London Corporation City Bridge Trust and Streetsmart. The service is delivered by trainee counsellors enabling them to achieve their practice hours and full qualification. We received 177 referrals and conducted 113 assessments within 11 days of referral being received, 58 went onto complete counselling, with others being treated by the Psychological Wellbeing team. We started delivering once a week at ThamesReach and this has now resulted in a one year contract to run counselling, bringing in income of approximately £2,500.

Peer Circles, supported by The Big Lottery Fund and European Social Fund, supports severely disadvantaged people within the communities of South London to overcome multiple barriers to accessing training, volunteering and employment opportunities. The project is in partnership with St Giles Trust, and has been refunded until June 2022. This partnership has seen an increase in resources funded by them. These include in addition to the Coordinator, two part time trainees, both of whom come with lived experience and one is a current customer. Referrals for Counselling from wider Peer Circles clients have brought in additional income of around £2,500. In 2019/20 we worked with 137 customers in this programme and exceeded our targets.

The Horizons project is funded by BBC Children in Need and works in schools with children at risk of exclusion or disengagement. It provides mentoring and coaching to help children identify their strengths, talents and develop coping mechanisms. Horizons worked with 143 children in 2019/20 against a target of 90. It delivered a mixture of one-to-one and group work that supported disengaged pupils to focus on education. Outcomes included one pupil gaining 11 GCSE's against a prediction of one. Literacy, numeracy, lunchtime and detention support has been a key part of engaging with pupils.

# Evolve Housing + Support

## Directors' Report for the year ended 31 March 2020

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Our Work and Learning programme is part funded by the Rough Sleeping Innovation Fund at the GLA and through smaller donations and unrestricted funds. Its focus is to engage with all customers around getting them into work and delivering our entrepreneurship programme. This is on track to exceed in all target areas for the full year. We had 45 customers take part in three entrepreneurship courses and had presentations from our Ambassador, Bianca Miller-Cole, Monzo Bank and various other CEO's and leading entrepreneurs. Overall, we worked with 230 customers from July 2019 to March 2020 against a target of 200 for a full year.

### FINANCIAL REVIEW

The Directors present the report and financial statements for the year ended 31 March 2020. The statements are presented according to the requirements of the Statement of Recommended Practice (SORP) Accounting by Registered Social Landlords and FRS102.

The key financial results for the year are shown below.

- Turnover for the year amounted to £12,440k compared with £11,797k for the year ended 31 March 2019.
- As a result a one-off adjustment to write off of previously capitalised development cost of £485k, there is an operating deficit for the year of £38k, compared to a surplus of £1,546k in 2019. This exceptional write off has been necessary as we were unable to satisfy Croydon Council planning department's requirements for the scheme. The operating surplus in 2019 included a surplus of £1,049k on the disposal of property assets.
- Before accounting for fixed asset disposals and development costs written off, a surplus of £441k was recorded for the year compared with £498k for the previous year. This demonstrates the ongoing financial viability of the core business.
- Interest payable, less receivable, was £147k for the year compared with £188k for the previous year.

During the year to 31 March 2020 we continued to spend significant amounts on fire safety and building maintenance. Void losses were unexpectedly high, but tight control over costs and a reforecast at the half year enabled us to reprioritise expenditure and achieve a satisfactory result on core activities for the year.

We have incurred significant legal costs in the year as we are taking legal action against the developers of two of our buildings which have cladding that requires replacement. We are committed to remediation and to recovering the costs of this work.

In March 2020, the coronavirus pandemic unfolded. Whilst our primary income sources (rent and grants for support) were largely unaffected, we experienced significantly increased staff costs between March and June 2020 as high levels of staff absence had to be covered with agency staff. We were able to furlough some staff and receive funds from the Coronavirus Job Retention Scheme, a very welcome contribution which enabled us to keep all our staff on full pay throughout the period. We are also very grateful to our local authority partners, all of whom provided extra funding to help us maintain our services throughout the lockdown period and beyond.

In September 2020, it became clear that the planning department of Croydon Council will not support our development without significant further revision. The plans have already been revised several times over the last three years to meet the planners' demands, and the further revisions required would render the scheme unviable. The Board have therefore taken the decision to abandon the project, and hence the accumulated costs to date of £485k have been written off in these accounts

### Going concern

We carry out stress testing on our budget projections, and prepare seven year forecasts to model various scenarios. Compliance with bank covenants is monitored quarterly and reported to the Audit Committee. After reviewing the Annual Budget, the Business and Corporate Plans, seven year forecasts, revised budgets and cash flow taking in to account the financial effects of the pandemic, the Board considers that the organisation has adequate resources to continue in operational existence for the foreseeable future. Accordingly, we continue to adopt the going concern basis in preparing the accounts.



# Evolve Housing + Support

Directors' Report for the year ended 31 March 2020

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## PLANS FOR THE FUTURE

Our 2019-2022 Business Plan was approved by the Board at their meeting in June 2019. The plan sets out our ambition and strategic objectives for the three year period. From this three year plan, we developed our corporate plan for the coming year. Our original plan for 2020/21 was agreed in March 2020. However, almost immediately we were impacted by the coronavirus pandemic. In the early phase, our entire focus was on keeping all our accommodation services open and safe for customers and colleagues. In June 2020 we therefore revised our corporate plan for 2020/21 to reflect the much altered landscape, deferring some ambitions to future years, and redefining our immediate priorities.

Our key objectives for the 2020/21 year are:

- to deal with the impact of the pandemic;
- cladding remediation and building safety;
- the next steps in our development strategy, and
- to focus on growth and business development.

To achieve these objectives, we will strive to:

### Inspire our staff team:

- Respond to the impact of the pandemic on our staff;
- Train and deploy mental health first aiders;
- Develop priorities in equality, diversity and inclusion.

### Create positive change:

- Support customers to mitigate the effects of coronavirus;
- Complete all necessary reviews of cladding and wall systems and remediate as necessary;
- Adopt new and proposed building safety regulations for specialised housing.

### Reach more people:

- Launch and deliver emergency fundraising strategy;
- Start work on a new development;
- Develop strategic partnerships.

### Sustain our future:

- Respond to the financial impact of the pandemic through budgetary management
- Devise and deliver a new digital strategy;
- Review the use of our assets to diversify income streams;

It was our ambition to develop up to 60 units of affordable move on accommodation in Croydon. However it has now become clear that we do not have the support of the Council's planning department for this development and plans have been abandoned. We will look for development opportunities in other partner authorities who we hope will be more supportive of our plans.

Whilst investing heavily in our current services, we are exploring opportunities for strategic partnerships with other organisations to expand our work and secure our future.

The pandemic will have long lasting effects on our operations. We are developing agile working policies to increase the flexibility for our staff to work from various locations, including their homes. We are adapting our practices around customer interaction to ensure we can maintain appropriate levels of support whilst adhering to social distancing protocols. We have strengthened our infection control policies and procedures to ensure safe environments for customers and staff. We have adhered to Government guidance throughout the crisis, and will continue to adapt our operations as this guidance evolves.

# Evolve Housing + Support

## Directors' Report for the year ended 31 March 2020

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### Risk and Internal Control

In order to observe best practice and ensure that the highest form of good governance is followed, particularly in relation to the management of risk, internal auditors are engaged to carry out regular reviews. The Audit Committee have reviewed the internal audit arrangements and agreed to appoint specialist providers appropriate to the work required, with a view to having a minimum of two specialist reviews each year.

Policies and procedures have been put in place to ensure good governance and these are regularly reviewed and added to as required. Likewise, detailed procedures covering all aspects of finance related systems and reporting have been developed to supplement the organisation's financial regulations.

The Board is responsible for safeguarding the assets of the organisation and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Board has considered the key risks facing the organisation. Future Government's reforms to the welfare system remain a risk to our main revenue stream. Rental income provides the major source of income to the organisation and our customers rely on benefits to pay their rent. Government policy announcements on the future funding of supported housing are welcome and appear to reduce the risks around this income stream for the time being.

The Board has also identified that a major area of risk relates to Supporting People funding, on which the organisation also relies heavily, particularly with regard to the arrangements for competitive tendering that all Local Authorities now follow. The risks inherent with this funding stream are addressed in a number of ways. We ensure that the quality of all our services is maintained to a very high standard and that all tender submissions are keenly priced. Good relations are maintained with local authorities, and staff work with their Council colleagues to ensure the continued strategic relevance of the organisation's services to the Councils' ongoing strategies. In addition, staff ensure that the Councils are kept fully briefed on the organisation's services and the importance of maintaining funding. We are also working to widen our income streams and thus reduce our reliance on this form of local authority funding.

The organisation's Statement of the System of Internal Controls is set out on page 11.

### VALUE FOR MONEY

#### Board acknowledgement of responsibility

Evolve's board members accept their responsibility for knowing how our assets are used to further our aims and purposes. The Board and senior management team regularly review the organisation's development and investment strategies with the aim of ensuring that we continue to make appropriate use of our assets in order to achieve further growth. A key aim for the Board is to demonstrate that we are maximising the return on our assets and investments, in line with our risk appetite, and achieving value for money.

#### Our approach

Promoting the delivery of more and better for less has been deeply embedded in our governance and management processes for many years and we strive to maintain and develop this ethos. This is how we see the reality of Value for Money (VfM) in our organisation. Our VfM strategy sets out our approach to managing our assets, creating social value, and improving our procurement processes in order to achieve our corporate objectives in the most cost effective way.

We have rigorous business planning and performance monitoring systems in place to drive continuous improvement and maximise the efficiency and quality of our services for customers. We regularly undertake detailed work to establish the most efficient ways of delivering services, all focused on achieving value for money. To achieve this aim we review all outcomes at both organisational and service levels.

We manage our resources to provide cost-effective, quality services to customers. At the same time, we are focused on finding new sources of income to improve services for our existing communities and to invest in new ones.

We have a proven track record of being efficient and effective. As with many overarching themes, success is predicated on value for money being embedded throughout the organisation and being intrinsic to what we do. We are efficient in our activities, and demonstrate a balanced approach to self-regulation.

# Evolve Housing + Support

## Directors' Report for the year ended 31 March 2020

Our annual VfM review is a key document. It has been prepared by senior management, approved by our Board and is published on our website. Each year, we review and refresh the actions identified in our VfM Strategy.

### Value for Money at Evolve

The Value for Money Standard and Code of Practice (effective from 1 April 2018) focuses on outcomes. It places value for money at the heart of the business, requiring registered providers to have an agreed approach to achieving value for money in meeting their strategic objectives.

In June 2019, the Board approved our Business Plan for 2019-22. Our key strategic objectives remain unchanged and can be summarised in one cohesive statement of intent: *Inspire our team to create positive change, reach more people and sustain our future.*

Each year, we develop a Corporate Plan for the year, to deliver those objectives. The key priorities for 2019-20 were:

- › To complete all necessary reviews of cladding and wall systems and remediate as required;
- › To start on site on our Croydon development;
- › To carry out a salary benchmarking review;
- › To develop an innovation scheme.

Delivering value for money for our customers and key stakeholders is central to all our decisions to deliver the above objectives.

Under the Code of Practice effective from 1 April 2018, a suite of metrics has been developed to assess value for money and enable comparisons between organisations. Our calculated figures are shown in the table below. Median figures are taken from the Smaller Providers' Benchmarking Group (SPBM) data for our peer group.

Metric	2016	2017	2018	2019	2020	SPBM 2019/20 Median
Headline social housing cost per unit (£'000)	10.3	11.0	10.2	10.8	12.5	9.8
EBITDA interest cover (%)	661%	720%	474%	441%		227%
Operating Margin: social housing lettings (%)	5.85%	4.87%	2.29%	3.38	3.52%	10.88%
Operating margin: organisation (%)	6.13%	5.27%	1.52%	2.48%	2.19%	5.14%
Return on capital employed (%)	0.92%	3.5%	3.18%	7.09%	1.59%	1.7%
Gearing (%)	38%	31%	22%	5%	4%	6%
Reinvestment (%)	-	-	-	-	-	3.85%
New supply delivered	-	-	-	-	-	-

Many of our customers have complex needs and as a specialist supported housing provider it is to be expected that our service charge costs will be relatively high because of the special additional services we need to provide, including higher staffing levels, greater security and safety equipment, etc. The increase in this cost this year reflects the increased expenditure on maintenance, particularly fire safety.

We have deliberately allowed our gearing ratio to fall to ensure we have sufficient headroom to borrow the funds which will be required to complete our new development. We have the support of our bankers for our plans, and are confident that we have the resources to complete the project.

More information on value for money, including details of our social value, can be found in our full VfM review and strategy on our website.

# Evolve Housing + Support

## Directors' Report for the year ended 31 March 2020

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### RESERVES POLICY

The Directors believe that a general reserve representing between three and six months' unrestricted expenditure should be maintained to allow the organisation to be managed efficiently. There is a need to match variable income with fixed commitments and the nature of the reserves and to provide a buffer for uninterrupted services. This level of reserves would provide sufficient funds for the maintenance of the current activities of the organisation in the event of a significant drop in funding and also provide time to allow the Directors to consider changes in activities or new sources of funding.

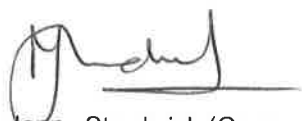
During the year, our total reserves decreased from £13,230k to £13,045k. The majority of these reserves are held as fixed assets and, as such, could not be readily converted to cash. Free reserves, defined as those which could be freely spent on our charitable objects (and excluding restricted funds), amount to £3.67m, representing approximately 3.5 months of expenditure.

### DIRECTORS

All of the current board members have taken all the steps that they ought to have taken to make themselves aware of any information needed by the organisation's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

### BY ORDER OF THE BOARD

The Directors' Report including the Strategic Report was approved by the Board on 14 September 2020 and signed on its behalf by:



Jenny Strudwick (Company Secretary)

# Evolve Housing + Support

## Statement of the System of Internal Controls

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The Board is at the centre of governance and is responsible, in particular, for ensuring that the organisation operates effectively and achieves its objectives. The Board acknowledges its ultimate responsibility for ensuring that the organisation has in place a sound system of internal controls that are appropriate to the various business environments in which it operates.

These controls focus on the significant risks that threaten the organisation's ability to meet its objectives and provide reasonable assurance with respect to:

- the reliability of key information and performance indicators used within the organisation or for publication;
- the maintenance of proper records;
- the safeguarding of assets against unauthorised use or disposition; and
- the organisation's compliance with relevant laws and regulations.

The Board is confident that procedures are in place that effectively identify all risks that might prevent the organisation achieving its objectives and which manage such risks and mitigate their effects. The organisation has management arrangements, resources, skills and systems that are appropriate to the circumstances, scale and scope of its operations and ensure that its activities are backed by proper systems of assurance for internal control.

The Board maintains a sound system of internal controls and conducts annual reviews of the effectiveness of the system. The review covers the whole range of controls including financial, operational and compliance controls and risk management. The key steps that the Board takes are to:

- identify/review the organisation's business objectives, the possible opportunities and the risks or threats to achieving those objectives;
- form/review the organisation's framework for managing the identified risks; and
- identify how the Board is to obtain assurance that the risk management policies adopted are adequate and operating effectively.

Assurance is obtained by:

- the identification and evaluation of applicable risks;
- the design of a system of controls; and
- the operation of those controls.

The organisation's risk management and risk identification activities provide assurance that the organisation is focusing on and addressing the key risks that threaten the attainment of the organisation's business objectives. Particular attention is paid to how the organisation's risk profile is changing over time. Such activities include the Corporate Management Team reviewing key risks at their regular meetings. Members of the Corporate Management Team regularly discuss these risks with service managers and their teams to ensure their full involvement in the risk management process.

The Board recognises that performance indicators have an important role in assurance by allowing the Board and the Audit Committee to assess whether the organisation is meeting its objectives. At Board meetings key performance indicators are reported on regularly.

# Evolve Housing + Support

## Statement of Directors' Responsibilities

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The Directors (who are also the trustees of Evolve Housing + Support) are responsible for preparing the strategic report, annual report and the financial statements in accordance with applicable law and regulations.

Company law and social housing legislation requires the board to prepare financial statements for each financial year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law, the board must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the association and of surplus or deficit of the association for that period.

In preparing these financial statements, the board are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed and the Statement of Recommended Practice: Accounting by Registered Providers of Social Housing 2018, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

The board is responsible for keeping adequate accounting records that are sufficient to show and explain the association's transactions and disclose with reasonable accuracy at any time the financial position of the association and enable them to ensure that the financial statements comply with the Companies Act 2006, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019. It is also responsible for safeguarding the assets of the association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The board members are responsible for ensuring that the report of the board is prepared in accordance with the Statement of Recommended Practice: Accounting by registered social housing providers 2018.

Financial statements are published on the website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the website is the responsibility of the board. The board responsibility also extends to the ongoing integrity of the financial statements contained therein.

# Independent Auditor's Report to the Members of Evolve Housing + Support

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## Opinion

We have audited the financial statements of Evolve Housing + Support ("the Association") for the year ended 31 March 2020 which comprise the statement of comprehensive income, the statement of financial activities, the balance sheet, the statement of changes in reserves, the statement of cash flows and 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 Financial Reporting Standard 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 Association's affairs as at 31 March 2020 and of the Association's incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the requirements of the Companies Act 2006, 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 Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the board members use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the board members have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Association's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

## Other information

The board are responsible for the other information. Other information comprises the information included in the financial statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and 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 including the Directors' Report and the Statement of Internal Controls 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.

## Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

# Independent Auditor's Report to the Members of Evolve Housing + Support

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## Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Association and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and Directors' Report.

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

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

## Responsibilities of the Directors

As explained more fully in the statement of director's responsibilities set out on page 12, the Directors 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 control as the Directors 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 Directors are responsible for assessing the Association'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 either intend to liquidate the Association or to cease operations, or have no realistic alternative but to do so.

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## Use of our report

This report is made solely to the members of the Association, as a body, in accordance with in accordance with the Housing and Regeneration Act 2008 and Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Association'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 Association and the members as a body, for our audit work, for this report, or for the opinions we have formed.

BDO LLP

Philip Cliftlands (senior statutory auditor)  
For and on behalf of BDO LLP, statutory auditor  
Gatwick, West Sussex

3 November 2020

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)



# Evolve Housing + Support

## Statement of Comprehensive Income for the year ended 31 March 2020

	Note	2020	2019
		£	£
Turnover	4	12,440,191	11,796,678
Operating costs	4	(12,717,401)	(11,935,350)
Other operating income	4	718,600	636,280
Profit on disposal of tangible fixed assets	11	6,095	1,048,825
Development costs written off	12	(485,438)	-
<b>Operating (deficit)/surplus</b>	<b>4,8</b>	<b>(37,953)</b>	<b>1,546,490</b>
Interest receivable and similar income	13	48,597	17,895
Interest payable and financing costs	14	(195,282)	(206,375)
<b>Total comprehensive income for the year</b>		<b>(184,638)</b>	<b>1,358,010</b>

The notes on pages 21 to 34 form part of these financial statements.

All amounts derive from continuing activities.

# Evolve Housing + Support

## Statement of Financial Activities for the year ended 31 March 2020

		Unrestricted		Restricted		
	Notes	Housing activities	Non-housing activities	Non-housing activities	31 March 2020	31 March 2019
		£	£	£	£	£
<b>Income</b>						
Grants and Donations	4	-	128,615	482,317	610,932	404,192
Charitable activities	4	12,440,191	-	-	12,440,191	11,796,678
Other trading activities	6	-	107,668	-	107,668	232,089
Interest receivable	13	-	48,597	-	48,597	17,895
		12,440,191	284,880	482,317	13,207,388	12,450,854
<b>Expenditure</b>						
Raising Funds	4	-	172,778	-	172,778	184,142
Charitable activities	4	11,879,552	36,972	503,339	12,419,863	11,608,735
Other trading activities	4	-	124,760	-	124,760	142,474
Interest payable	14	116,655	78,627	-	195,282	206,375
		11,996,207	413,137	503,339	12,912,683	12,141,726
<b>Net income</b>	8	443,984	(128,257)	(21,022)	294,705	309,128
Profit on disposal of fixed assets	11	6,095	-	-	6,095	1,048,882
Development costs written off	12	(485,438)	-	-	(485,438)	-
<b>Net movement in funds</b>		(35,359)	(128,257)	(21,022)	(184,638)	1,358,010
<b>Reconciliation of funds</b>						
<b>Opening balance as at 1 April 2019</b>		6,584,113	6,519,149	126,333	13,229,595	11,871,585
<b>Closing balance as at 31 March 2020</b>		6,548,754	6,390,892	105,311	13,044,957	13,229,595

The notes on pages 21 to 34 form part of these financial statements.

The surplus for the period includes all gains and losses recognised in the period.

All amounts derive from continuing activities.

# Evolve Housing + Support

Balance Sheet at 31 March 2020

Registered Company number: 4796537

	Note	2020 £	2019 £
<b>Fixed assets</b>			
Tangible fixed assets – housing properties	15	27,644,654	28,549,311
Tangible fixed assets - other	16	2,473,593	2,562,920
		<b>30,118,247</b>	<b>31,112,231</b>
<b>Current assets</b>			
Debtors – receivable within one year	17	1,294,170	748,697
Cash and cash equivalents		5,449,443	5,852,101
		<b>6,743,613</b>	<b>6,600,798</b>
<b>Creditors: amounts falling due within one year</b>	18	<b>2,969,628</b>	<b>2,719,346</b>
<b>Net current assets</b>		<b>3,773,985</b>	<b>3,881,452</b>
<b>Total assets less current liabilities</b>		<b>33,892,232</b>	<b>34,993,683</b>
<b>Creditors: amounts falling due after more than one year</b>	19	<b>20,847,275</b>	<b>21,764,088</b>
<b>Net assets</b>		<b>13,044,957</b>	<b>13,229,595</b>
<b>Funds and Reserves</b>			
General Housing Reserve - Unrestricted		6,548,754	6,584,113
Non-Housing Reserves			
Unrestricted		6,390,892	6,519,149
Restricted		105,311	126,333
		<b>13,044,957</b>	<b>13,229,595</b>

The financial statements were approved by the Board of Directors and authorised for issue on 14 September 2020.



**Karen Cooper**  
Chair

The notes on pages 21 to 34 form part of these financial statements.

## Evolve Housing + Support

### Statement of changes in reserves for the year ended 31 March 2020

	General Housing Reserve – Unrestricted	Non-Housing Reserve - Unrestricted	Non-Housing Reserve - Restricted	Total Reserves
	£	£	£	£
Balance at 1 April 2019	6,584,113	6,519,149	126,333	13,229,595
Deficit for the year	(35,359)	(128,257)	(21,022)	(184,638)
Balance at 31 March 2020	6,548,754	6,390,892	105,311	13,044,957

### Statement of changes in reserves for the year ended 31 March 2019

	General Housing Reserve – Unrestricted	Non-Housing Reserve - Unrestricted	Non-Housing Reserve - Restricted	Total Reserves
	£	£	£	£
Balance at 1 April 2018	5,135,848	6,623,261	112,476	11,871,585
Surplus/(deficit) for the year	1,448,265	(104,112)	13,857	1,358,010
Balance at 31 March 2019	6,584,113	6,519,149	126,333	13,229,595

# Evolve Housing + Support

## Statement of Cash Flows for the year ended 31 March 2020

	Note	2020 £	2019 £
<b>Cash flows from operating activities</b>			
<b>(Deficit)/Surplus for the financial year</b>		<b>(184,638)</b>	<b>1,358,010</b>
Adjustments for:			
Depreciation of fixed assets - housing properties	15	875,417	872,435
Depreciation of fixed assets - other	16	125,529	129,371
Amortised government grants	5	(401,190)	(401,190)
Interest payable and financing costs	14	195,282	206,375
Interest receivable and similar income	13	(48,597)	(17,895)
Profit on the disposal of fixed assets - housing properties	11	-	(1,053,963)
(Profit)/Loss on the disposal of fixed assets – other assets	11	(6,095)	5,081
Development costs written off	12	485,438	-
(Increase)/Decrease in trade and other debtors		(545,473)	256,352
Increase/(Decrease) in trade and other creditors		233,007	(482,122)
<b>Net cash generated from operating activities</b>		<b>728,680</b>	<b>872,454</b>
<b>Cash flows from investing activities</b>			
Proceeds from disposal of fixed assets – housing properties		-	2,228,363
Proceeds from disposal of fixed assets - other		6,095	-
Purchases of fixed assets – housing properties	15	(456,198)	(180,599)
Purchases of fixed assets - other	16	(36,202)	(58,368)
Interest received	11	48,597	17,895
Pension deficit paid		-	(242,666)
<b>Net cash from investing activities</b>		<b>(437,708)</b>	<b>1,764,625</b>
<b>Cash flows from financing activities</b>			
Interest paid	14	(195,282)	(206,375)
Repayment of loans - bank	21	(498,348)	(486,675)
<b>Net cash used in financing activities</b>		<b>(693,630)</b>	<b>(693,050)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(402,658)</b>	<b>1,944,029</b>
Cash and cash equivalents at beginning of year		5,852,101	3,908,072
<b>Cash and cash equivalents at end of year</b>		<b>5,449,443</b>	<b>5,852,101</b>
<b>Net Debt</b>			
Cash and cash equivalents		5,449,443	5,852,101
Borrowings – repayable in one year		(513,644)	(496,368)
Borrowings – repayable after more than one year		(5,402,310)	(5,917,933)
<b>Net Debt</b>		<b>(466,511)</b>	<b>(562,200)</b>
<b>Reconciliation of net debt</b>			
Net debt at start of year		(562,200)	(2,992,901)
(Decrease)/Increase in cash in year		(402,658)	1,944,029
Net (increase in)/repayment of short term loans		(17,276)	3,262
Net repayment of long term loans		515,623	483,410
<b>Net debt at end of year</b>		<b>(466,511)</b>	<b>(562,200)</b>

The notes on pages 21 to 34 form part of these financial statements.

# Evolve Housing + Support

Notes forming part of the financial statements for the year ended 31 March 2020

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# Evolve Housing + Support

Notes forming part of the financial statements for the year ended 31 March 2020 (continued)

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## 1 Legal status

Evolve Housing + Support is a company limited by guarantee (company number 4796537) and a registered charity (number 1099051) and is registered with Homes England as a social housing provider (number H4400).

## 2 Accounting policies

The financial statements have been prepared in accordance with applicable law and UK accounting standards (United Kingdom Generally Accepted Accounting Practice) which for Evolve Housing + Support includes FRS 102 "the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland", the Statement of Recommended Practice (SORP), "Accounting by registered social housing providers" 2018, the Accounting Direction for Private Registered Providers of Social Housing 2019 and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying accounting policies.

The following principal accounting policies have been applied:

### *Going concern*

Upon review of the organisation's financial position and resources, including considering anticipated cashflows following the impact of Covid-19 for the next two years, the Board notes the strong cash position with funds earmarked, though not restricted, to fund future developments. Whilst the ongoing intention of the Board is to utilise this cash on developments at present no commitments have been entered into. With forecasts that show positive cash without utilisation of a buffer of approximately 1/3rd of 2020 operating expenditure, the Board believes that the organisation is well placed to manage its business risks and has a reasonable expectation that the organisation has adequate resources to continue in operational existence for at least twelve months from the date of approval of the financial statements. It therefore continues to adopt the going concern basis in preparing the annual financial statements.

### *Income*

Income is measured at the fair value of the consideration received or receivable. Grant income is accounted for on an entitlement basis. The organisation generates the following material income streams:

- Rental income receivable (after deducting lost rent from void properties available for letting);
- Service charges receivable;
- Management fee income from managed services;
- Supporting People income;
- Charitable grants and donations;
- Letting income from non-accommodation space;
- Bank interest.

### *Supported housing schemes*

The organisation receives Supporting People grants from a number of London Boroughs. The grants received in the period as well as costs incurred in the provision of support services have been included in the Statement of Comprehensive Income. Any excess of cost over grant received is borne by the organisation.

### *Service charges*

The organisation calculates and charges service charges to its customers based on expenditure estimated each year as part of the annual budgeting process.

# Evolve Housing + Support

Notes forming part of the financial statements for the year ended 31 March 2020 (continued)

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## 2 Accounting policies (continued)

### *Management of units owned by others*

Management fees receivable and reimbursed expenses are shown as income and included in management fees receivable. Costs of carrying out the management contracts and rechargeable expenses are included in operating costs.

### *Value Added Tax*

The organisation charges Value Added Tax (VAT) on some of its income and is able to recover part of the VAT it incurs on expenditure. The financial statements include VAT to the extent that it is suffered by the organisation and not recoverable from HM Revenue and Customs. Recoverable VAT arises from partially exempt activities and is credited to the Statement of Comprehensive Income.

### *Finance costs*

Finance costs are charged to expenditure over the term of the debt using the effective interest rate method so that the amount charged is at a constant rate on the carrying amount.

### *Pension costs*

Contributions to the organisation's defined contribution pension schemes are expensed in the year in which they become payable.

### *Tangible fixed assets - housing properties*

Housing properties constructed or acquired (including land) on the open market since the date of transition to FRS 102 are stated at cost less depreciation and impairment (where applicable).

The cost of housing land and property represents the purchase price and any directly attributable costs of acquisition which may include an appropriate amount for staff costs and other costs of managing development.

Expenditure on major refurbishment to properties is capitalised where the works 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 net rental income, a reduction in future maintenance costs, or a subsequent extension in the life of the property. All other repair and replacement expenditure is charged to the Statement of Comprehensive Income.

### *Depreciation of housing property*

Housing land and property is split between land, structure and other major components that are expected to require replacement over time.

Land is not depreciated because of its indefinite useful economic life.

Assets in the course of construction are not depreciated until they are completed and ready for use to ensure that they are depreciated only in periods in which economic benefits are expected to be consumed.

The cost of all other housing property (net of accumulated depreciation to date and impairment, where applicable) and components is depreciated over the useful economic lives of the assets on the following basis:



# Evolve Housing + Support

Notes forming part of the financial statements for the year ended 31 March 2020 (continued)

## 2 Accounting policies (continued)

Housing properties are split between the structure and the major components which require periodic replacement. The costs of replacement or restoration of these components are capitalised and depreciated over the determined average useful economic life as follows:

Description	Economic useful life (years)
Structure	50
Kitchen	15
Bathroom	15
Roof coverings	45
External doors	25
Boiler	30
Electrics	40
External windows	25
Mechanical systems	35
Lifts	30

Leasehold properties are depreciated over the length of the lease except where the expected useful economic life of properties is shorter than the lease, when the lease and building elements are depreciated separately over their expected useful economic lives.

### *Tangible fixed assets – Other*

Other tangible fixed assets are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The organisation adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred if the replacement part is expected to provide incremental future benefits to the organisation. The carrying amount of the replaced part is derecognised. Repairs and maintenance costs are charged to expenditure during the period in which they are incurred.

### *Depreciation of other tangible fixed assets*

Depreciation on other assets is charged to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method. The estimated useful lives range as follows:

Description	Economic useful life (years)
Leasehold land and buildings	Lease term
Plant, machinery and vehicles	4
Fixtures, fittings, tools and equipment	5-10
Computers	4

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other operating income' in the Statement of Comprehensive Income.

### *Government grants*

Grants received in relation to assets that are presented at deemed cost at the date of transition have been accounted for using the performance model as required by Housing SORP 2018. In applying this model, such grant has been presented as if it were originally recognised as income within the Statement of Comprehensive Income in the year it was receivable and is therefore included within brought forward reserves.

# Evolve Housing + Support

Notes forming part of the financial statements for the year ended 31 March 2020 (continued)

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## 2 Accounting policies (continued)

Grants received since the transition date in relation to newly acquired or existing housing properties are accounted for using the accrual model set out in FRS 102 and the Housing SORP 2018. Grant is carried as deferred income in the Balance Sheet and released to the Statement of Comprehensive Income on a systematic basis over the useful economic lives of the asset for which it was received.

Where social housing grant (SHG) funded property is sold, the grant becomes recyclable and is transferred to a recycled capital grant fund until it is reinvested in a replacement property. If there is no requirement to recycle or repay the grant on disposal of the assets, any unamortised grant remaining within creditors is released and recognised as income within the Statement of Comprehensive Income.

Grants relating to revenue are recognised in the Statement of Comprehensive Income over the same period as the expenditure to which they relate once performance related conditions have been met.

Grants due from government organisations or received in advance are included as current assets or current liabilities.

### *Impairment of fixed assets*

The housing property portfolio of the organisation is assessed for indicators of impairment at each balance sheet date. Where indicators are identified then a detailed assessment is undertaken to compare the carrying amount of assets or cash generating units for which impairment is indicated to their recoverable amounts. An option appraisal is carried out to determine the option which produces the highest net realisable value. Valuations on rental return or potential sale proceeds are obtained and used to inform the options. The organisation looks at the net realisable value, under the options available, when considering the recoverable amount for the purposes of impairment assessment. The recoverable amount is taken to be the higher of the fair value less costs to sell or value in use of an asset or cash generating unit. The assessment of value in use may involve considerations of the service potential of the assets or cash generating units concerned or the present value of future cash flows to be derived from them appropriately adjusted to account for any restrictions on their use. No properties have been valued at value in use – service potential (VIU-SP).

The organisation defines cash generating units as schemes except where its schemes are not sufficiently large in size or where it is geographically sensible to group schemes into larger cash generating units. Where the recoverable amount of an asset or cash generating unit is lower than its carrying value an impairment is recorded through a charge to the Statement of Comprehensive Income.

Any losses arising from impairment are recognised in the Statement of Comprehensive Income in other operating expenses.

### *Debtors and creditors*

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price.

### *Recoverable amount of rental and other trade receivables*

The organisation estimates the recoverable value of rental and other receivables and impairs the debtor by appropriate amounts. When assessing the amount to impair it reviews the age profile of the debt, historical collection rates and the class of debt.

# Evolve Housing + Support

Notes forming part of the financial statements for the year ended 31 March 2020 (continued)

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## 2 Accounting policies (continued)

### *Loans, Investments and short-term deposits*

All loans, investments and short-term deposits held by the organisation are classified as basic financial instruments in accordance with FRS 102. These instruments are initially recorded at the transaction price less any transaction costs (historical cost). FRS 102 requires that basic financial instruments are subsequently measured at amortised cost, however the organisation has calculated that the difference between the historical cost and amortised cost basis is not material and so these financial instruments are stated on the Balance Sheet at historical cost. Loans and investments that are payable or receivable within one year are not discounted.

### *Financial liabilities and equity*

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form.

### *Cash and cash equivalents*

Cash and cash equivalents in the Balance Sheet consists of cash at bank, in hand, deposits and short-term investments with an original maturity of three months or less.

### *Leased assets: Lessee*

Where assets are financed by leasing agreements that give rights that approximate to ownership (finance leases), the assets are treated as if they have been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to expenditure over the shorter of the estimated useful economic life and the term of the lease.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to expenditure over the term of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

All other leases are treated as operating leases. Their annual rentals are charged to expenditure on a straight-line basis over the term of the lease.

### *Reserves*

Income received, and expenditure incurred, for restricted purposes is separately accounted for within restricted funds. Realised and unrealised gains and losses on assets held by these funds are also allocated to the fund.

# Evolve Housing + Support

Notes forming part of the financial statements for the year ended 31 March 2020 (continued)

## 3 Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the key judgements have been made in respect of the following:

- whether there are indicators of impairment of the organisation's tangible and intangible assets, including goodwill. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit. The Board have considered the measurement basis to determine the recoverable amount of assets where there are indicators of impairment based on EUV-SH (Existing Use Value – Social Housing) or depreciated replacement cost. The Board have also considered impairment based on their assumptions to define cash or asset generating units.
- whether leases entered into by the organisation either as a lessor or as a lessee are operating leases or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- the categorisation of housing properties as investment properties or property, plant and equipment based on the use of the asset.
- what constitutes a cash generating unit when indicators of impairment require there to be an impairment review.

### *Other key sources of estimation uncertainty*

- *Tangible fixed assets (see notes 15 and 16)*

Tangible fixed assets, other than investment properties, are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as the condition of the asset and its future income generating potential are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

For housing property assets, the assets are broken down into components based on management's assessment of the properties. Individual useful economic lives are assigned to these components.

- *Rental and other trade receivables (debtors) (see note 17)*

The estimate for receivables relates to the recoverability of the balances outstanding at year end. A review is performed on an individual debtor basis to consider whether each debt is recoverable.

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# Evolve Housing + Support

Notes forming part of the financial statements for the year ended 31 March 2020 (continued)

## 5 Income and expenditure from social housing lettings

	Supported housing 2020 £	Supported housing 2019 £
<b>Income</b>		
Rents net of identifiable service charges	4,227,448	3,985,828
Service charge income	4,890,541	4,601,537
Amortised government grants	401,190	401,190
Other income	93	42,987
<b>Turnover from social housing lettings</b>	<b>9,519,272</b>	<b>9,031,542</b>
<b>Expenditure</b>		
Management	1,352,056	1,381,783
Service charge costs	4,432,503	4,380,016
Routine maintenance	728,008	330,478
Planned maintenance	94,680	18,710
Major repairs expenditure	874,475	884,382
Bad debts	163,199	101,923
Depreciation of housing properties:		
- annual charge	875,417	872,435
Other costs	511,979	384,973
<b>Operating expenditure on social housing lettings</b>	<b>9,032,317</b>	<b>8,354,700</b>
<b>Operating surplus on social housing lettings</b>	<b>486,955</b>	<b>676,842</b>
<b>Void losses</b>	<b>623,514</b>	<b>621,245</b>

## 6 Turnover from non-social housing lettings

	2020 £	2019 £
Conferencing and nursery facilities	107,668	232,089

## 7 Units of housing stock

	2020 Number	2019 Number
Supported Housing		
- Owned Units	435	435
Supported Accommodation managed for others	215	243
<b>Total owned and managed accommodation</b>	<b>650</b>	<b>678</b>
Supported Accommodation managed for others at 1 April 2019	243	244
Units handed back to landlord	(28)	(1)
Supported Accommodation managed for others at 31 March 2020	215	243

# Evolve Housing + Support

Notes forming part of the financial statements for the year ended 31 March 2020 (continued)

## 8 Operating surplus

	2020 £	2019 £
This is arrived at after charging/(crediting):		
Depreciation of housing properties	875,417	872,435
Depreciation of other tangible fixed assets	125,529	129,371
Profit on disposal of fixed assets	6,095	1,048,882
Operating lease charges – land & building	100,718	132,195
Auditor's remuneration:		
- fees payable to the organisation's auditor for the audit of the annual accounts	31,000	31,000
Internal Auditor's remuneration	11,529	6,653
Defined contribution pension cost	168,931	135,419

## 9 Employees

	2020 £	2019 £
Staff costs (including Executive Management Team) consist of:		
Wages and salaries	5,532,591	5,319,225
Social security costs	466,674	459,048
Cost of defined contribution scheme	168,931	135,419
Total staff costs	6,168,196	5,913,692

Included in staff costs is £NIL redundancy costs paid. (2019: £13,377, paid to 1 staff).

The average number of employees (including Executive Management Team) during the year, based on headcount, was as follows:

	2020 Number	2019 Number
Administration	30	27
Housing and Support	197	194
Charitable projects	5	10
	232	231

# **Evolve Housing + Support**

**Notes forming part of the financial statements for the year ended 31 March 2020 (continued)**

## **10 Directors' and senior executives' remuneration**

The Directors (and members of the Board) are shown on page 1. Senior Executives are the Chief Executive and the Executive Management Team as disclosed on page 1.

	2020 £	2019 £
Executive management emoluments	391,557	378,538
Contributions to money purchase pension schemes	38,824	37,687
	<b>430,381</b>	<b>416,225</b>

None of the members of the Board received any emoluments (2018: nil).

The total amount payable to the Chief Executive, who was also the highest paid director in respect of emoluments was £97,850 (2019 - £95,000 ). Pension contributions of £9,785 (2019 - £ 9,500) were made to a money purchase scheme on his behalf.

As a member of the organisation's personal pension plan, the pension entitlement of the Chief Executive is identical to those of other members.

During the year, contributions were paid in to the organisation's defined contribution pension scheme on behalf of 5 senior executives (2019 - 6).

The remuneration (excluding pension contributions) paid to staff (including Executive Management Team) earning over £60,000 upwards:

	2020 Number	2019 Number
£60,000 - £69,999	1	2
£70,000 - £79,999	3	2
£80,000 - £89,999	-	-
£90,000 - £99,999	1	1

The total of pension contributions paid on behalf members of staff earning over £60,000 was £38,824 (2019: £28,187).



# Evolve Housing + Support

Notes forming part of the financial statements for the year ended 31 March 2020 (continued)

## 11 Profit on disposal of tangible fixed assets

	2020	2019
	£	£
Housing Properties:		
Net profit on disposal	-	1,053,963
Other fixed assets:		
Net profit/ (loss) on disposal	6,095	(5,081)
Profit on disposal of tangible fixed assets	6,095	1,048,882

## 12 Development costs written off

	2020	2019
	£	£
Accumulated development costs written off	485,438	-

This is a one-off non-recurring item. Since 2017 we have been working on plans to develop up to 60 units of affordable move on accommodation in Croydon. In September 2020 it became clear that, despite numerous revisions to our plans at the Council's request, the planning department will not support this development. As a result, the costs incurred to date have been written off. The write-off of these costs, and the abandonment of the plans, does not affect our core business.

## 13 Interest receivable and similar income

	2020	2019
	£	£
Bank Interest receivable	48,597	17,895

## 14 Interest payable and financing costs

	2020	2019
	£	£
Bank loans and overdrafts	184,630	195,756
Bank charges	10,652	10,619
	195,282	206,375

## Evolve Housing + Support

Notes forming part of the financial statements for the year ended 31 March 2020 (continued)

### 15 Tangible fixed assets - housing properties

	Freehold Land & Buildings £	Long Leasehold Land & Buildings £	Development £	Total Land & Buildings £
<i>Cost or valuation:</i>				
At 1 April 2019	35,063,202	1,107,651	106,650	36,277,503
Additions	77,410	-	378,788	456,198
Disposals	-	-	(485,438)	(485,438)
<b>At 31 March 2020</b>	<b>35,140,612</b>	<b>1,107,651</b>	<b>485,438</b>	<b>36,248,263</b>
<i>Depreciation:</i>				
At 1 April 2019	7,290,506	437,686	-	7,728,192
Charge for the year	857,469	17,948	-	875,417
Disposals	-	-	-	-
<b>At 31 March 2020</b>	<b>8,147,975</b>	<b>455,634</b>	<b>-</b>	<b>8,603,609</b>
<b>Net book value at 31 March 2020</b>	<b>26,992,637</b>	<b>652,017</b>	<b>-</b>	<b>27,644,654</b>
<b>Net book value at 31 March 2019</b>	<b>27,772,696</b>	<b>669,965</b>	<b>106,650</b>	<b>28,549,311</b>

	2020 £	2019 £
Works to properties		
Improvements to existing properties capitalised	77,410	93,645
Major repairs expenditure to Income and Expenditure account	874,475	884,382
	<b>951,885</b>	<b>978,027</b>
Capital grant – Housing Properties	<b>20,059,486</b>	20,059,486

### Impairment

The organisation considers £27,644,654 to represent separate cash generating units (CGU's) when assessing for impairment in accordance with the requirements of FRS102 and SORP 2018.

Two of our freehold buildings that are over 18m in height have some cladding. Whilst it has been confirmed that both buildings are safe for continued occupation, the need to remove and replace this cladding is considered a potential indicator of impairment requiring a review of the carrying value of these building assets. The replacement of cladding on one of the buildings is underway. The Board have carried out a review of the carrying value of these property assets in the annual statutory accounts and their review concluded that they do not consider the carrying value of the these property assets in the annual statutory accounts is impaired.

### Properties held for security

Property with a net book value of £13,917,042 was pledged as security at 31 March 2020 (2019 - £14,348,964).

## Evolve Housing + Support

Notes forming part of the financial statements for the year ended 31 March 2020 (continued)

### 16 Other tangible fixed assets

	Non-Housing Freehold Land and Buildings £	Fixtures, fittings, equipment and vehicles £	Total other Fixed assets £
<i>Cost or valuation</i>			
At 1 April 2019	2,816,780	1,288,091	4,104,871
Additions	-	36,202	36,202
Disposals	-	-	-
At 31 March 2020	2,816,780	1,324,293	4,141,073
<i>Depreciation</i>			
At 1 April 2019	447,747	1,094,204	1,541,951
Charge for year	32,962	92,567	125,529
Disposals	-	-	-
At 31 March 2020	480,709	1,186,771	1,667,480
<i>Net book value</i>			
At 31 March 2020	2,336,071	137,522	2,473,593
At 31 March 2019	2,369,033	193,887	2,562,920

### 17 Debtors

	2020 £	2019 £
<b>Receivable within one year</b>		
Rent and service charge arrears	912,201	717,557
Less: Provision for doubtful debts	(425,921)	(264,406)
	486,280	453,151
Trade debtors	365,695	121,967
Other debtors	374,429	101,962
Prepayments and accrued income	67,766	71,617
	1,294,170	748,697

### 18 Creditors: amounts falling due within one year

	2020 £	2019 £
Loans and borrowings (note 19)	513,644	496,368
Trade creditors	666,641	184,864
Taxation and social security	144,548	120,929
Other creditors	135,856	187,305
Deferred capital grant (Note 20)	401,190	401,190
Accruals and deferred income	1,107,749	1,328,690
	2,969,628	2,719,346

The bank loans are repayable in instalments over 15 - 20 years. The bank loans are secured by fixed charges over the freehold properties at Stockwell Road, Alexandra House, Ingram Court, Burton-White House and Kingston Road. The loans bear interest at variable rates calculated at a margin above the Base Rate. One loan has an interest rate of 3% fixed over the term of the loan.

# Evolve Housing + Support

Notes forming part of the financial statements for the year ended 31 March 2020 (continued)

## 19 Creditors: amounts falling due after more than one year

	2020 £	2019 £
Loans and borrowings (Note 21)	5,402,310	5,917,933
Deferred capital grant (Note 20)	15,444,965	15,846,155
	<b>20,847,275</b>	<b>21,764,088</b>

## 20 Deferred capital grant

	2020 £	2019 £
At 1 April	16,247,345	16,648,535
Grants received during the year	-	-
Released to income during the year	(401,190)	(401,190)
At 31 March	<b>15,846,155</b>	<b>16,247,345</b>
Total value of grants received	<b>20,059,486</b>	<b>20,059,486</b>

## 21 Loans and borrowings

Maturity of debt:

	2020 £	2019 £
In one year or less, or on demand	513,644	496,368
In more than one year but not more than two years	528,813	511,509
In more than two years but not more than five years	1,685,986	1,630,087
In more than five years	3,187,510	3,776,334
	<b>5,915,953</b>	<b>6,414,301</b>

## 22 Pensions

Evolve provides a Defined Contribution Pension Scheme that is open to all employees.

## 23 Operating leases

The organisation had minimum lease payments under non-cancellable operating leases as set out below:

Amounts payable as Lessee

	2020 £	2019 £
Land and buildings		
Not later than 1 year	47,918	69,300
Within 1 - 2 years	52,800	13,920
Within 2 - 5 years	-	52,200
	<b>100,718</b>	<b>135,420</b>

## 24 Related party disclosures

The ultimate controlling party of the organisation is the Board of Evolve Housing + Support.