Evolve
Housing
+ Support

Financial Statements

Year ended 31 March 2019

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 2019

Contents

Page:

Evolve Housing + Support
Directors, Executives and Advisers

Directors

Karen Cooper	Chair
Diana Coman	
Charles Fraser	(Appointed 24 January 2019)
Paul Infield	(Appointed 24 January 2019)
Andrew Lowe	(Retired 28 March 2019)
Simon McGrath	
Paul Perkin	(Appointed 24 January 2019)
Rebecca Pritchard	(Resigned 4 December 2018)
Mark Rowe	(Appointed 24 January 2019)
Isabel Sanchez	
David Shrimpton	
Visakha Sri Chandrasekera	(Retired 28 June 2018)
Philippa Thomas	(Retired 28 March 2019)
Vicky Wallace	(Appointed 24 January 2019)

Company Secretary
Jenny Strudwick

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

Audit Committee

Visakha Sri Chandrasekera	Chair (until 28 June 2018)
David Shrimpton	Interim Chair from 28 June 2018
Paul Perkin	
Mark Rowe	
Vicky Wallace	
David Carton	

Executive Management

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

Auditor
BDO LLP
55 Baker Street
London W1U 7EU

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

Ashfords LLP
Ashford House
Grenadier Road
Exeter EX1 3LH

Bankers
HSBC Bank plc
9 Wellesley Road
Croydon CR9 2AA

Santander UK plc
100 Ludgate Hill
London EC4M 7RE

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 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 complies with the relevant requirements of these frameworks.

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.

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 have referred 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 and Wandsworth and the Royal Boroughs of Kensington and Chelsea and Kingston upon Thames. 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. 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.

STRATEGIC REPORT

ACHIEVEMENTS AND PERFORMANCE

During the development of our 2019-22 Business Plan, we reviewed our vision ("To make a lasting difference to lives and communities") and mission ("Providing excellent housing and support services") and combined them in to one overall aim: to help children, young people and adults who are homeless or at risk of homelessness to become independent and resilient and to end the cycle of homelessness. During the same process the strategic objectives were revised and updated to ensure they accurately summarise the key priorities for the forthcoming year.

This report gives a snapshot of the many achievements and improvements in service provision for our customers during the year to 31 March 2019. The Directors have continued to deliver the transformation and modernisation of our services outlined in our Business Plan for 2016-2019, ensuring an ongoing improvement to our residential buildings, and the planning of new facilities and services that underpin this Plan. Our Business Plan for 2019-2022 builds on the success of that plan and was approved by the Board at their meeting in June 2019.

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, The Albert Hunt Trust, BBC Children in Need, City of London Corporation City Bridge Trust, The Good Things Foundation, Street Smart, Pret a Manger, Centrale Shopping Centre Croydon, 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 2019, Evolve provided 678 beds of supported housing in the London Boroughs of Croydon, Lambeth, Bromley, Merton and Wandsworth and the Royal Boroughs of Kensington and Chelsea and Kingston upon Thames.

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

The devastating fire at the Grenfell Tower in June 2017 brought building safety and fire prevention to 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 passed fire safety inspections by the London Fire Brigade. We have one building where a small amount of cladding needs to be replaced and work on that replacement will commence in January 2020. At one of our other buildings, we have identified that cladding, although not of the type identified as a fire risk, has been incorrectly installed and will need to be replaced. The cost of this will be very significant, and whilst we identify the best options for funding this remediation work, we will do this without unnecessary delay.

Improving Quality

Customer involvement and co-production remains a strong aspect 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 make recommendations for change, has completed its sixth review, on complaints practice. In 2019, the panel will be reviewing how the move-on process works in practice and how it could be improved.

As well as investing in our customers, we also invest in developing our staff to achieve their full potential. In April 2018, our first People Plan was launched. The purpose of the plan is to make our organisation a great place to work. By being a great place to work, we will continue to create positive change for customers. We have established an Employee Forum which meets monthly to drive forward the plan's objectives.

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 are rolling this framework out to audit our corporate departments such as finance and HR.

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 2018 customer survey, 89% of respondents stated that they were satisfied with the support they received from us, and 83% agreed that we understand their needs. We always look to improve these results and increase the impact of our services.

Community Services

Our three year Work + Learning programme, which was supported by the Big Lottery Fund came to an end in Autumn 2018. The programme exceeded targets in several areas including improved numeracy; which 149 people achieved against a target of 106, improved management of substance use which 214 people achieved against a target of 133, improved management of mental health which 276 people achieved against a target of 266 and getting into paid work which 160 people achieved against a target of 65.

Our fundraising strategy includes plans to secure unrestricted income, grant funding and corporate support in order to sustain this service. We have secured funding from Streetsmart, the Rough Sleeping Innovation Fund and the London Homelessness Charities Group to provide employment support and coaching to customers who have experienced or are at risk of rough sleeping.

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 is now in its third year.

Health and Wellbeing is a no cost, swift access counselling service provided for the customers of our accommodation-based services in-house 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 launched our enhanced Health and Wellbeing service with support from the Big Lottery Fund in September 2018, which will provide enhanced support and psychological expertise to customers and teams. The team provides core training on mental health to all staff, support to staff teams working with complex customers and works one to one with complex customers in a flexible way to support them with mental health issues.

The Horizons project is funded by BBC Children in Need and works in schools with children at risk of exclusion or disengagement. As with all our services, our approach is asset based and provides mentoring and coaching to help children identify their strengths, talents and develop coping mechanisms. Horizons worked with 93 children in 2018/19.

FINANCIAL REVIEW

The Directors present the report and financial statements for the year ended 31 March 2019. 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 £11,797k compared with £12,179k for the year ended 31 March 2018.
- An operating surplus of £498k was recorded for the year compared with £352k for the previous year.
- Interest payable, less receivable, was £188k for the year compared with £157k for the previous year.

The year to 31 March 2019 was a challenging one financially with continued significant expenditure on fire safety and building maintenance and unexpectedly high void losses. A reforecast at the half year enabled us to reprioritise expenditure and achieve a satisfactory result for the year.

Going concern
After reviewing the Annual Budget and Business Plan, 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.

PLANS FOR THE FUTURE

The year under review (2018/19) was the last year of our 3 year business plan (2016-2019). Our new Business Plan (2019-2022) 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 3 year plan, we developed our corporate plan for the coming year.

Key objectives for the 2019/20 year are:

- Complete all necessary reviews of cladding and wall systems and remediate as required;
- Start on site for the new Croydon development;
- Carry out a salary benchmarking review.

To achieve these objectives, we will strive to:

Inspire our staff team:
- Put the wellbeing of all colleagues at the heart of what we do;
- Invite, share and celebrate innovation and good practice;
- Listen to colleagues and conduct ongoing, meaningful conversations;
- Care about colleagues' aspirations, and help them achieve their goals.

Create positive change:
- Work with our customers to improve and innovate service delivery;
- Develop the number and scope of our community services and partnerships;
- Review services and the use of our buildings;
- Enhance our practice, meeting regulatory standards.

Reach more people:
- Develop at least 50 units of new accommodation;
- Develop strategic partnerships;
- Refine our stakeholder engagement strategy;
- Deliver our fundraising strategy and significantly expand our unrestricted income.

Sustain our future:

- Further develop our approach to innovation and tendering;
- Review the use of our assets to diversify income streams;
- Embrace new technology to improve and innovate in service delivery;
- Ensure a high performing Board, fully engaged with our strategy.

The Board approved a development strategy in June 2017. After identifying a suitable site in the London Borough of Croydon for a 50 unit modular development, we secured a grant of £3.9m towards the cost. Together with funds generated from the sale of our scattered stock and support from our bank, we are now actively developing our plans and hope to receive planning permission in time to start on site before the end of the current financial year.

Through this development strategy we will build affordable housing primarily for single people moving on from our existing services. We will also look to assist the local authority through the provision of family accommodation, particularly for those families currently living in unsuitable and expensive temporary accommodation. Our aim is to replicate this development in other local authority areas, subject to the availability of funding and suitable sites.

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. They consider that a major area of risk is the Government's benefit reform programme that could lead to large reductions in our major revenue streams. Rental income provides the major source of income to the organisation and our customers rely on benefits to pay their rent. Recent government policy announcements on the future funding of supported housing are welcome and appear to reduce the risks around this income stream.

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 on 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 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.

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.

The year under review was the last year of our 2016-19 Business Plan. During the year, we have been developing 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 2018-19 were:

› To make Evolve the employer of choice
› To break ground on our new Croydon development
› To secure our long-term future.

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	SPBM 2018/19 Median
Headline social housing cost per unit (£'000)	£10.3	£11.0	£10.2	£10.8	£10.3
EBITDA interest cover (%)	661%	720%	474%	441%	227%
Operating Margin: social housing lettings (%)	5.85%	4.87%	2.29%	3.38	10.11%
Operating margin: organisation (%)	6.13%	5.27%	1.52%	2.48%	5.6%
Return on capital employed (%)	0.92%	3.5%	3.18%	7.09%	3.53%
Gearing (%)	38%	31%	22%	5%	6%
Reinvestment	-	-	-	-	3.2%
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. We continue to review all our costs to obtain maximum value for money whilst maintaining the quality of our services to customers.

We have not developed any new properties recently, concentrating instead on ensuring all our current properties provide the same high standard of accommodation. However, following Board agreement to our development strategy in June 2017 we are actively working on plans for a new modular development of at least 50 units in Croydon. We have identified a suitable site and secured GLA finding for the project. Value for money is a key consideration in all decisions relating to this development.

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.

Communications
The contents of our VfM review and strategy are communicated to all staff via our corporate briefing processes and through team meetings and copies are made available on our staff Intranet. As part of the corporate induction process, our approach to VfM is explained to all new staff. Our VfM review and strategy is also posted on our website (www.evolvehousing.org.uk) and is available from our head office at Kingston Road, London SW19.

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 increased from £11,872k to £13,157k. 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 £3.7m, representing approximately 3.8 months of expenditure.

Evolve Housing + Support

Directors' Report for the year ended 31 March 2019

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 19 September 2019 and signed on its behalf by:

Jenny Strudwick (Company Secretary)

Evolve Housing + Support

Statement of the System of Internal Controls

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

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 2014, 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 2015. 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 2014.

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

Opinion

We have audited the financial statements of Evolve Housing + Support ("the Association") for the year ended 31 March 2019 which comprise the statement of comprehensive income, the consolidated 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 Group's and of the Association's affairs as at 31 March 2019 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 2015.

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 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.

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. 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

27 September 2019

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 2019

	Note	2019	Consolidated 2018
		£	£
Turnover	4	**11,796,678**	12,179,358
Operating costs	4	**(11,935,350)**	(12,520,142)
Other operating income	4	**636,280**	693,016
Operating surplus	4,8	**497,608**	352,232
Profit on disposal of tangible fixed assets	11	**1,048,882**	447,215
Settlement of s75 pension debt	23	**-**	(242,666)
Interest receivable and similar income	12	**17,895**	4,616
Interest payable and financing costs	13	**(206,375)**	(161,486)
Discount on loan balance	21	**-**	168,522
Total comprehensive income for the year		**1,358,010**	568,433

The notes on pages 21 to 37 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 2019

	Notes	Unrestricted Housing activities £	Unrestricted Non-housing activities £	Restricted Non-housing activities £	31 March 2019 £	Consolidated 31 March 2018 £
Income						
Grants and Donations	4	-	93,691	310,501	404,192	369,057
Charitable activities	4	11,796,678	-	-	11,796,678	12,229,804
Other trading activities	4	-	232,089	-	232,089	273,513
Interest receivable	12	-	17,895	-	17,895	4,616
		11,796,678	343,675	310,501	12,450,854	12,876,990
Expenditure						
Raising Funds	4	-	184,142	-	184,142	220,077
Charitable activities	4	11,275,244	36,847	296,644	11,608,735	12,145,497
Other trading activities	4	-	142,474	-	142,474	154,568
Interest payable	13	122,051	84,324	-	206,375	161,486
		11,397,295	447,787	296,644	12,141,726	12,681,628
Net income	8	399,383	(104,112)	13,857	309,128	195,362
Other recognised gains	21	-	-	-	-	168,522
Profit on disposal of fixed assets	11	1,048,882	-	-	1,048,882	447,215
Pension scheme buy out	23					(242,666)
Net movement in funds		1,448,265	(104,112)	13,857	1,358,010	553,561
Reconciliation of funds						
Opening balance as at 1 April 2018		5,135,848	6,623,261	112,476	11,871,585	10,501,078
Acquired on merger		-	-	-	-	802,074
Closing balance as at 31 March 2019		6,584,113	6,519,149	126,333	13,229,595	11,871,585

The notes on pages 21 to 37 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 2019

Registered Company number: 4796537

	Note	2019 £	2018 £
Fixed assets			
Tangible fixed assets – housing properties	14	**28,549,311**	30,415,549
Tangible fixed assets - other	15	**2,562,920**	2,639,002
		31,112,231	33,054,551
Current assets			
Debtors – receivable within one year	17	**748,697**	1,005,049
Cash and cash equivalents		**5,852,101**	3,908,072
		6,600,798	4,913,121
Creditors: amounts falling due within one year	18	**2,719,346**	3,447,399
Net current assets		**3,881,452**	1,465,722
Total assets less current liabilities		**34,993,683**	34,520,273
Creditors: amounts falling due after more than one year	19	**21,764,088**	22,648,688
Net assets		**13,229,595**	11,871,585
Funds and Reserves			
General Housing Reserve - Unrestricted		**6,584,113**	5,135,848
Non-Housing Reserves			
Unrestricted		**6,519,149**	6,623,261
Restricted		**126,333**	112,476
		13,229,595	11,871,585

The financial statements were approved by the Board of Directors and authorised for issue on 19 September 2019.

Karen Cooper
Chair

The notes on pages 21 to 37 form part of these financial statements.

Evolve Housing + Support

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**

Consolidated statement of changes in reserves for the year ended 31 March 2018

	General Housing Reserve – Unrestricted	Non-Housing Reserve - Unrestricted	Non-Housing Reserve - Restricted	Total Reserves
	£	£	£	£
Balance at 1 April 2017	4,409,531	6,033,681	57,866	10,501,078
Surplus/(deficit) for the year	726,317	(212,494)	54,610	568,433
Acquisition of subsidiary	-	802,074	-	802,074
Balance at 31 March 2018	5,135,848	6,623,261	112,476	11,871,585

Evolve Housing + Support

Organisation statement of changes in reserves for the year ended 31 March 2018

	General Housing Reserve – Unrestricted	Non-Housing Reserve - Unrestricted	Non-Housing Reserve - Restricted	Total Reserves
		£	£	£
Balance at 1 April 2017	4,409,531	6,603,681	57,866	10,501,078
Surplus/(deficit) for the year	726,317	(204,906)	54,610	576,021
Transfer from subsidiary	-	794,486	-	794,486
Balance at 31 March 2018	5,135,848	6,623,261	112,476	11,871,585

Evolve Housing + Support

Statement of Cash Flows for the year ended 31 March 2019

	Note	2019 £	2018 £
Cash flows from operating activities			
Surplus for the financial year		**1,358,010**	576,023
Adjustments for:			
Depreciation of fixed assets - housing properties	14	**872,435**	910,081
Depreciation of fixed assets - other	15	**129,371**	95,904
Amortised government grants	5	**(401,190)**	(401,189)
Interest payable and financing costs	13	**206,375**	161,486
Interest receivable and similar income	12	**(17,895)**	(4,616)
Profit on the disposal of fixed assets - housing properties	11	**(1,053,963)**	(447,215)
Loss on the disposal of fixed assets – other assets		**5,081**	
Discount on loan balance	16	**-**	(168,522)
Pension scheme buy out	23	**-**	242,666
Decrease/ (Increase) in trade and other debtors		**256,352**	(339,021)
(Decrease)/Increase in trade and other creditors		**(482,122)**	836,438
Net asset movement in subsidiary prior to full merger		**-**	7,597
Net cash generated from operating activities		**872,454**	1,469,632
Cash flows from investing activities			
Proceeds from disposal of fixed assets – housing properties		**2,228,363**	465,582
Balance of proceeds from sale of land		**-**	1,500,000
Purchases of fixed assets – housing properties	14	**(180,599)**	(19,696)
Purchases of fixed assets - other	15	**(58,368)**	(674,436)
Interest received	12	**17,895**	4,616
Pension deficit paid		**(242,666)**	-
Net cash from investing activities		**1,764,625**	1,275,766
Cash flows from financing activities			
Interest paid	13	**(206,375)**	(161,486)
Repayment of loans - bank	21	**(486,675)**	(399,474)
Net cash used in financing activities		**(693,050)**	(560,960)
Net increase in cash and cash equivalents		**1,944,029**	2,184,438
Cash and cash equivalents at beginning of year		**3,908,072**	1,272,372
Cash and cash equivalents acquired through merger		**-**	451,262
Cash and cash equivalents at end of year		**5,852,101**	3,908,072

The notes on pages 21 to 37 form part of these financial statements.

INDEX OF NOTES

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) for Registered Social Housing Providers 2014, "Accounting by registered social housing providers" 2014, the Accounting Direction for Private Registered Providers of Social Housing 2015 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:

Basis of consolidation in prior year

The 2018 consolidated financial statements presented the results of Evolve Housing + Support – Registered provider of social housing and its subsidiary ("the group") as if they formed a single entity. Intercompany transactions and balances between group companies were therefore eliminated in full.

The 2018 consolidated financial statements incorporated the results of business combinations using the purchase method. In the balance sheet, the acquiree's identifiable assets, liabilities and contingent liabilities were recognised at their fair values at the acquisition date. The results of acquired operations were included in the consolidated statement of comprehensive income from the date on which control was obtained.

All assets and liabilities of the subsidiary were transferred to Evolve on 1 October 2017 and the subsidiary company was deregistered in January 2018.

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

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.

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.

2 Accounting policies *(continued)*

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:

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.

2 Accounting policies *(continued)*

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 2014. 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.

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 2014. 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.

Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

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 enough 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 income statement 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.

2 Accounting policies *(continued)*

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.

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 has 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 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.

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 note 14 and 15)*

  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.

4 Particulars of turnover, operating costs and operating surplus

	Turnover	Operating costs	Operating surplus
	2019	2019	2019
	£	£	£
Social housing lettings (Note 5)	9,031,542	8,354,700	676,842
Other Social Housing Activities			
Charges for support services	169,436	374,782	(205,346)
Supporting people	2,595,700	2,595,700	-
	11,796,678	11,325,182	471,496
Activities other than Social Housing Activities			
Lettings	232,089	142,474	89,615
Other	404,191	467,694	(63,503)
	636,280	610,168	26,112
	12,432,958	11,935,350	497,608

	Turnover	Operating costs	Operating surplus
	2018	2018	2018
	£	£	£
Social housing lettings (Note 5)	9,399,184	(7,954,814)	1,444,370
Other Social Housing Activities			
Charges for support services	188,751	(1,268,709)	(1,079,958)
Supporting people	2,591,423	(2,591,423)	-
	12,179,358	(11,814,946)	364,412
Activities other than Social Housing Activities			
Lettings	273,513	154,568	118,945
Other	419,503	550,628	(131,325)
	693,016	705,196	(12,180)
	12,872,374	(12,520,142)	352,232

5 Income and expenditure from social housing lettings

	Supported housing 2019 £	Supported housing 2018 £
Income		
Rents net of identifiable service charges	3,985,828	4,197,701
Service charge income	4,601,537	4,800,293
Amortised government grants	401,190	401,190
Other income	42,987	-
Turnover from social housing lettings	**9,031,542**	9,399,184
Expenditure		
Management	1,381,783	1,318,169
Service charge costs	4,380,016	3,950,307
Routine maintenance	330,478	177,879
Planned maintenance	18,710	93,967
Major repairs expenditure	884,382	829,699
Bad debts	101,923	147,659
Depreciation of housing properties:		
- annual charge	872,435	910,081
Other costs	384,973	527,053
Operating expenditure on social housing lettings	**8,354,700**	7,954,814
Operating surplus on social housing lettings	**676,842**	1,444,370
Void losses	**621,245**	420,514

6 Turnover from non-social housing lettings

	2019 £	2018 £
Conferencing and nursery facilities	**273,513**	273,513

7 Units of housing stock

	2019 Number	2018 Number
Supported Housing		
- Owned Units	**435**	435
- Supported Lodgings	-	-
Total owned	**435**	435
Supported Accommodation managed for others	**243**	244
Total managed accommodation	**243**	244
Total owned and managed accommodation	**678**	679

8 Operating surplus

	2019 £	2018 £
This is arrived at after charging/(crediting):		
Depreciation of housing properties:		
- annual charge	**872,435**	910,081
Depreciation of other tangible fixed assets	**129,371**	95,904
Profit on disposal of fixed assets	**1,048,882**	447,215
Operating lease charges – land & building	**132,195**	132,195
Auditor's remuneration:		
- fees payable to the organisation's auditor for the audit of the annual accounts	**31,000**	35,475
Internal Auditor's remuneration	**6,653**	2,287
Defined contribution pension cost	**135,419**	98,644

9 Employees

	2019 £	2018 £
Staff costs (including Executive Management Team) consist of:		
Wages and salaries	**5,319,225**	5,236,445
Social security costs	**459,048**	465,772
Cost of defined contribution scheme	**135,419**	104,960
Total staff costs	**5,913,692**	5,807,177
Total staff costs – parent only	**5,913,692**	5,456,668

Included in staff costs is £13,377 redundancy costs paid to 1 member of staff (2018: £50,685, paid to 6 staff).

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

	2019 No.	2018 No.
Administration	**27**	24
Housing and Support	**194**	173
Charitable projects	**10**	8
	231	205

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.

	2019 £	2018 £
Executive management emoluments	**378,538**	349,254
Contributions to money purchase pension schemes	**37,687**	34,615
	416,225	383,869

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 £95,000 (2018 - £95,800). Pension contributions of £9,500 (2018 - £ 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 6 senior executives (2018 - 5).

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

	2019 No.	2018 No.
£60,000 - £69,999	**2**	-
£70,000 - £79,999	**2**	4
£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 £28,187.

11 Profit on disposal of tangible fixed assets

	2019	2018
	£	£
Housing Properties:		
Net profit on disposal	**1,053,963**	-
Other fixed assets:		
Net (loss)/profit on disposal	**(5,081)**	447,215
Profit on disposal of tangible fixed assets	**1,048,882**	447,215

12 Interest receivable and similar income

	2019	2018
	£	£
Interest receivable	**17,895**	4,616

13 Interest payable and financing costs

	2019	2018
	£	£
Bank loans and overdrafts	**195,756**	155,397
Bank charges	**10,619**	6,089
	206,375	161,486

14 Tangible fixed assets - housing properties	Freehold Land & Buildings £	Long Leasehold Land & Buildings £	Development £	Total Land & Buildings £
Cost or valuation:				
At 1 April 2018	36,539,017	1,107,651	19,696	**37,666,364**
Additions	93,645	-	86,954,	**180,599**
Disposals	(1,569,461)	-	-	**(1,569,461)**
At 31 March 2019	35,063,202	1,107,651	106,650	**36,277,502**
Depreciation:				
At 1 April 2018	6,831,077	419,738	-	**7,250,815**
Charge for the year	854,487	17,948	-	**872,435**
Disposals	(395,059)	-	-	**(395,059)**
At 31 March 2019	7,290,505	437,686	-	**7,728,191**
Net book value at 31 March 2019	**27,772,696**	**669,965**	**106,650**	**28,549,311**
Net book value at 31 March 2018	29,707,940	687,913	19,696	30,415,549

	2019 £	2018 £
Works to properties		
Improvements to existing properties capitalised	**93,645**	-
Major repairs expenditure to income and expenditure account	**884,382**	829,699
	978,027	829,699
Capital grant – Housing Properties	**20,059,486**	20,059,486

Impairment

The organisation considers £28,442,661 to represent separate cash generating units (CGU's) when assessing for impairment in accordance with the requirements of FRS102 and SORP 2014.

The Board considers the 1% cut to core rents, effective from 1 April 2017, to be a potential indicator of impairment and hence have carried out a review of the carrying value of the property assets in the annual statutory accounts. This review has confirmed that the Board do not consider the carrying value of the property assets in the annual statutory accounts to have been impaired.

Properties held for security

Evolve Housing & Support (registered social housing provider) had property with a net book value of £14,348,964 pledged as security at 31 March 2019 (2018 - £14,771,851).

15 Other tangible fixed assets

	Non-Housing Freehold Land and Buildings £	Fixtures, fittings, equipment and vehicles £	Total other Fixed assets £
Cost or valuation			
At 1 April 2018	2,771,014	1,413,197	**4,184,211**
Additions	45,766	12,602	**58,368**
Disposals	-	(137,708)	**(137,708)**
At 31 March 2019	2,816,780	1,288,091	**4,104,871**
Depreciation			
At 1 April 2018	416,665	1,128,543	**1,545,208**
Charge for year	31,082	98,289	**129,371**
Disposals	-	(132,628)	**(132,628)**
At 31 March 2019	447,747	1,094,204	**1,541,951**
Net book value			
At 31 March 2019	**2,369,033**	**193,887**	**2,562,920**
At 31 March 2018	2,354,349	284,653	2,639,002

16 Subsidiary undertaking – year to 31 March 2018

On 1 April 2017, Evolve acquired the shares in Grenfell Housing Association Limited (Grenfell) creating a wholly owned subsidiary. Grenfell was a company limited by guarantee and was established on 12 June 1985. It was registered under Co-operative and Community Benefit Society Act (2014), number IP24871R with charitable status. The Society traded under the name of Grenfell. On 30 September 2017, all assets and liabilities of Grenfell were transferred to Evolve and the company became dormant. On 4 December 2017, the Financial Conduct Authority (FCA) certified the transfer of engagements from Grenfell to Evolve and on 8 January 2018, Grenfell Housing Association Limited ceased to exist.

All transactions in Grenfell from 1 April 2017 were included in the Consolidated Statement of Comprehensive Income (and Consolidated Statement of Financial Activities) accounts for the year to 31 March 2018. As at 31 March 2018, Evolve did not have any subsidiary undertakings, hence the balance sheet at that date is for Evolve only.

For the six months to 30 September 2017, Grenfell recorded a loss of £7,588. The net assets acquired by Evolve on full merger were not materially different to those acquired by the group on 1 April 2017.

Assets and liabilities acquired from Grenfell Housing and Training on 30 September 2018	£
Fixed Assets at net book value	2,076,277
Current assets	834,473
Current liabilities	(311,683)
Long term loan	(1,804,581)
Net assets acquired	794,486
Represented by	
Share capital	5
Charitable reserves	794,481
	794,486

17 Debtors

	2019 £	2018 £
Due within one year		
Rent and service charge arrears	**717,557**	849,652
Less: Provision for doubtful debts	**(264,406)**	(287,768)
	453,151	561,884
Trade debtors	**121,967**	225,216
Other debtors	**101,962**	153,215
Prepayments and accrued income	**71,617**	64,734
	748,697	1,005,049

18 Creditors: amounts falling due within one year

	2019 £	2018 £
Loans and borrowings (note 21)	**496,368**	499,630
Trade creditors	**184,864**	669,168
Taxation and social security	**120,929**	121,213
Other creditors	**187,305**	374,503
Deferred capital grant (Note 20)	**401,190**	401,190
Accruals and deferred income	**1,328,690**	1,381,695
	2,719,346	3,447,399

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.

19 Creditors: amounts falling due after more than one year

	2019 £	2018 £
Loans and borrowings (Note 21)	**5,917,933**	6,401,343
Deferred capital grant (Note 20)	**15,846,155**	16,247,345
	21,764,088	22,648,688

20 Deferred capital grant

	2019 £	2018 £
At 1 April	**16,648,535**	17,049,724
Grants received during the year		-
Released to income during the year	**(401,190)**	(401,189)
At 31 March	**16,247,345**	16,648,535
Total value of grants received	**20,059,486**	20,059,486

21 Loans and borrowings

Maturity of debt:

	2019 £	2018 £
In one year or less, or on demand	**496,368**	499,630
In more than one year but not more than two years	**511,509**	513,555
In more than two years but not more than five years	**1,630,087**	1,628,169
In more than five years	**3,776,334**	4,259,619
	6,414,301	6,900,973

In the year to 31 March 2018, a long-term loan was acquired through the merger. The loan acquired was a 25-year loan from Futurebuilders England Limited, secured on the freehold property at 16-20 Kingston Road London SW19 1JZ, originally borrowed in 2007. An agreement was reached for Evolve to assume responsibility for this debt after a 10% discount to the outstanding balance was applied. The remaining term of the loan is 15 years, at a fixed interest rate of 3%.

	£
Loan balance outstanding at 30 September 2017	1,804,581
Discount agreed on transfer	180,458
Loan balance repayable by Evolve	1,624,123
Discount on loan	180,458
Fees	11,936
Net credit to Statement of Comprehensive Income in the year to 31 March 2018	168,522

22 Financial instruments

The organisation's financial instruments may be analysed as follows:

	2019 £	2018 £
Financial assets		
Financial assets measured at historical cost		
- Trade receivables	**575,118**	787,100
- Other receivables	**173,579**	217,949
- Cash and cash equivalents	**5,852,101**	3,908,072
Total financial assets	**6,600,798**	4,913,121
Financial liabilities		
Financial liabilities measured at amortised cost		
- Loans payable	**6,414,301**	6,900,973
Financial liabilities measured at historical cost		
- Trade creditors	**184,864**	784,342
- Other creditors	**2,038,114**	2,163,427
Total financial liabilities	**8,637,279**	9,848,742

Financial assets measured at amortised cost comprise trade debtors and other debtors.

23 Pensions

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

In the year to 31 March 2018, following the transfer of all Grenfell engagements to Evolve and the TUPE transfer of staff, the pension deficit debt of Grenfell to the Social Housing Pension Scheme crystallised. The debt was valued as at 30 September 2017 and settled in June 2018 at a total cost of £242,666, reflected in the Statement of Comprehensive Income for the year to 31 March 2018.

24 Operating leases

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

Amounts payable as Lessee

	2019 £	2018 £
Land and buildings		
Not later than 1 year	**69,300**	93,775
Within 1 - 2 years	**13,920**	38,420
Within 2 – 5 years	**52,200**	-
	135,420	132,195

25 Related party disclosures

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