



Evolve
Housing
+ Support

Report and Financial Statements

Year ended 31 March 2021

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 2021

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Evolve Housing + Support

Directors, Executives and Advisers

Directors

Paul Perkin
Karen Cooper

Rachelle Beltran
Diana Coman
Evonne Hudson
Paul Infield

Bukky McGlynn
Simon McGrath
Nilavra Mukerji
Mark Rowe
Isabel Sanchez
David Shrimpton
Vicky Wallace

Chair from 8 December 2020
(Chair to 8 December 2020)
(Resigned 8 December 2020)
(Appointed 24 June 2021)

(Appointed 24 June 2021)

(Appointed 3 July 2020)

(Appointed 24 June 2021)

Company Secretary

Jenny Strudwick

Registered office

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

Audit Committee

Mark Rowe
David Shrimpton
Rachelle Beltran
Bukky McGlynn
Paul Perkin
Vicky Wallace

Chair

(Appointed 24 June 2021)

(Appointed 5 January 2021)

(Resigned 8 December 2020)

Leadership Team

Jeremy Gray
Debra Ives
Jenny Strudwick
Alice Hainsworth
Elsbeth Hayde
Pamela Newman

Chief Executive
Director of Operations
Director of Corporate Services
Director of Business Development
Director of People and Culture
Deputy Director of Operations

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
139A North End
Croydon CR0 1TN

Santander UK plc
100 Ludgate Hill
London EC4M 7RE

Evolve Housing + Support

Directors' Report for the year ended 31 March 2021

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 two further three year periods. However, once we have fully adopted the new NHF Code of Governance, only one additional term of three years will be allowed. All members of the Board give their time voluntarily and receive no benefits from the organisation. Directors' 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 colleagues 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 Leadership 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 normally 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, and is working towards adopting the updated 2020 Code. 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. Our aim fully reflects the purposes that the organisation was set up to further.

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Directors' Report for the year ended 31 March 2021

We review our aims, 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 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-attending 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, nor do we 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 in the year under review..

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Directors' Report for the year ended 31 March 2021

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 2021. The coronavirus pandemic affected operations for the entire year, with all efforts concentrated on keeping customers and colleagues safe and maintaining the financial security of the organisation. The Government's Coronavirus Job Retention Scheme ('furlough') has helped us to preserve all jobs and we were pleased to be able to pay colleagues their full salaries even when on furlough. All colleagues were back from furlough by 31 March 2021. We are also very grateful to our commissioning local authorities for providing us with additional financial resources which enabled us to keep all our accommodation services open throughout the period.

The Directors acknowledge that the achievements of the year were only possible through the hard work of our colleagues and the commitment of our partners, including the London Boroughs of Croydon, Lambeth, Lewisham, Bromley, Merton, Sutton and the Royal Borough of Kensington and Chelsea, Homes England, National Lottery Community Fund, BBC Children in Need, City of London Corporation City Bridge Trust, Walcot Foundation, The Mayor of London's Rough Sleepers' Innovation Fund, St Giles Trust, Land Aid, London Community Response Fund, Sir Walter St John's Educational Charity, StreetSmart, Pret a Manger, European Social Fund, Greater London Authority, London Hostels Association and many charitable trusts, groups and individuals also continue to support our work.

Operations

At 31 March 2021, Evolve provided 598 beds of supported housing in the London Boroughs of Croydon, Lambeth, Bromley, Sutton and Merton, 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 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 completed the remediation of the cladding at one property during the year, and are in the process of replacing incorrectly installed cladding at another property. This work is due to be completed by November 2021. The cost of this work is very significant (in excess of £2.5m) and we are taking legal action against the developer to recover these costs.

Ensuring customers and colleagues were safe during 2020-21

Much of our focus in 2020-21 was centred around responding to the pandemic and ensuring our customers and colleagues were safe. We refined, communicated and managed our infection control policies, and limited access to services by visitors and ancillary staff. We are pleased to report that we have had relatively few cases of Covid in our services and have had no deaths of customers or colleagues. We have continued to pay colleagues' sick leave beyond the boundaries of our normal policy and where colleagues have been sick, we have provided agency cover. The costs of this could have had a significant impact on our budget, but we mitigated this by raising an additional £167k from our commissioning local authorities and funding partners.

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Directors' Report for the year ended 31 March 2021

Improving Quality

Despite the difficulties of this year, overall, internal quality audit results across teams are strong and demonstrate an improvement in scores since the 2019 audit. In 2020, 21% of scores were Excellent, a significant increase from 4.7% in 2019. There was a decrease in the proportion of scores Not Met, from 10.6% in 2019, to 6% in 2020. Positive scores, those either Good or Excellent, increased by 10%.

Additionally, satisfaction with our services has also been maintained, with 88% of customers being satisfied overall with the service they received, compared to 90% in the 2019 survey.

Community Services

During the pandemic we have needed to find creative ways to deliver our community services; particularly work and learning and health and wellbeing. Much of our work has been delivered remotely, but in recent months we have implemented well-being walks with customers who were in the most need of face-to-face interactions with the Health and Wellbeing Teams.

Our work and learning programme continued in 2020-21 through unrestricted funds and a grant from The Mayor of London's Rough Sleepers' Innovation Fund, and a further grant from the London Hostels Association which will continue the programme until November 2021. We have worked with 112 people during 2020-21 and have delivered an online entrepreneurship course and 12 workshops. From November 2020, the Work and Learning Programme focused on working with people under 25. We are on track to meet targets despite the pandemic. The focus has been on getting young people back into work and providing opportunities that build their skills. We have worked closely with the DWP who have been delivering in-person and on-line workshops in our services. The pandemic has clearly impacted the delivery and many young people who lost their jobs are struggling to get back in to work.

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. The service is delivered by trainee counsellors enabling them to achieve their practice hours and full qualification. We received 136 referrals and conducted 100 assessments within 14 days of referral being received, 64 went onto complete counselling, with others being supported by the Psychological Wellbeing team. We continued to deliver counselling to external Peer Circles and Thames Reach customers. Some face-to-face counselling restarted in March, but most has been delivered on-line. A total of 625 sessions were delivered during the year.

Peer Circles, supported by the National Lottery Community 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 funded 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. In 2020/21 we worked with 87 customers in this programme and are on track to meet our targets. The pandemic meant we were unable to work with many people face-to-face and this saw a drop in numbers.

The Health and Wellbeing programme, funded by the National Lottery Community Fund, is in its final year of three. During the pandemic, we saw an increase in referrals and adapted to deliver a range of services through on-line and face to face methods. We worked with a total of 205 customers during the 2020-2021 period. This included 135 one-to-one interventions and 40 recovery focused workshops. New ways of delivering therapy were formed and included using gaming and other technology to reach customers. The Psychological Wellbeing Therapists continue to be flexible to the needs of each service during the pandemic. In September 2020, we changed the Peer Volunteer Coordinator of this project into an additional Wellbeing Therapist to help respond to an increase in mental health issues seen in every service. Several wellbeing booklets were created for both colleagues and customers during the pandemic.

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Directors' Report for the year ended 31 March 2021

In November 2020, we launched our Career Change programme to attract new colleagues from outside the housing sector. 8 new colleagues undertook a 4 week initial training programme in March/April 2021. Feedback from colleagues and services has been extremely positive and we are developing an evaluation and continuation programme to build on this success.

FINANCIAL REVIEW

The Directors present the report and financial statements for the year ended 31 March 2021. 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 £12,815k compared with £12,440k for the year ended 31 March 2020.
- A surplus of £228k was recorded for the year, compared to a deficit of £185k in the previous year.
- However, after adjusting for development costs written off in the 2020 accounts, the comparable surplus last year was £301k.
- Interest payable, less receivable, was £132k for the year compared with £147k for the previous year.

During the year to 31 March 2021 we continued to spend heavily on fire safety and building maintenance. Void losses are significant, but continued 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. We settled one case against a developer of one of our buildings, and have replaced the cladding on that building. We are taking legal action against the developer of another of our buildings which has cladding that requires replacement due to its poor installation. This work is underway, and £577k of cladding remediation costs have been incurred in the year to 31 March 2021. The project is due to be completed by November 2021, at a total cost in excess of £2.5m.

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, and in subsequent lockdown periods, as high levels of colleague absence had to be covered with agency staff. We were able to furlough a small number of colleagues and received funds from the Coronavirus Job Retention Scheme, a very welcome contribution which enabled us to keep all our colleagues 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 periods and beyond.

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.

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Directors' Report for the year ended 31 March 2021

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. Throughout the year, our 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. At their meeting in March 2021, the Board agreed to extend the period of the current business plan by one year, to 2023, to acknowledge that we were unable to work on some of our strategic objectives due to the pandemic.

Many of our key objectives for the 2021/22 year are brought forward from 2020/21:

- 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 team:

- support colleagues to mitigate the impact of the pandemic on their wellbeing;
- Train and deploy mental health first aiders;
- Develop options for flexible working.

Create positive change:

- Support customers to mitigate the effects of the pandemic;
- Complete remediation of cladding and plan remaining programme of major fire safety works;
- Refresh our approach to co-production.

Reach more people:

- Increase our reputation as a thought leader on homelessness issues;
- Start work on a new development;
- Develop strategic partnerships.

Sustain our future:

- Respond to the financial impact of the pandemic through budgetary management
- Implement new NHF Code of Governance;
- Commence phase 2 of digital strategy – upgrading housing management and finance packages;

In September 2020 it became clear that, despite numerous revisions to our plans at the Council's request, the planning department were not going to support our plans to develop up to 60 units of affordable move on accommodation in Croydon. We are engaging with other partner boroughs to identify opportunities for development with them.

As a result of the pandemic, opportunities to explore strategic partnerships with other organisations to expand our work and secure our future have been limited. However, this remains a key objective.

The pandemic will have long lasting effects on our operations. Within a week of the national lockdown in March 2020, we had set up remote working arrangements for over 100 colleagues and we continue to refine our agile working policies to increase the flexibility for our colleagues to work from various locations, including their homes. We have adapted 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 colleagues. We have adhered to Government guidance throughout the crisis and will continue to adapt our operations as the situation changes.

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Directors' Report for the year ended 31 March 2021

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.

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 we work with Council colleagues to ensure the continued strategic relevance of the organisation's services to the Councils' ongoing strategies. In addition, colleagues 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

The Board accepts its 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.

Value for Money at Evolve

Our strategic objectives aim to deliver our charitable purpose. They therefore reflect the value we are seeking to maximise in the context of value for money. To measure our success, we set key performance indicators (KPIs) and targets against our 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 our objectives. The 2020/21 Corporate Plan, originally approved in March 2020 had to be revised in the light of the coronavirus pandemic and our resources in 2020/21 were concentrated on keeping colleagues and customers safe.

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Directors' Report for the year ended 31 March 2021

Our strategic objectives and key priorities are summarised below:

Strategic Objective	2020/21 key priorities	Measure
Inspire our team	Respond to the impact of the pandemic and manage colleague absences	KPI – days lost to sickness absence
Create positive change	Respond to the impact of the pandemic on customers	KPI – % of customers with staying safe plans
Reach more people	Seek additional funding to ensure services continue uninterrupted	Funds raised compared to increased costs
Sustain our future	Manage void losses and arrears	KPI's - % lost from voids and arrears

We report here on our organisational metrics and targets and the RSH metrics as required by the VfM standard. Median figures are taken from the Smaller Providers' Benchmarking Group (SPBM) data for our peer group. The peer group is comprised of 25 smaller housing associations primarily providing supported accommodation across the country. However, half the group also provide general needs housing which operates on a lower cost base and higher margins.

RSH Metric	2018/19	2019/20	2020/21 Actual	2020/21 Target	SPBM 2020/21 Median	2021/22 Target
Headline social housing cost per unit (£'000)	£10.8	£12.3	£14.9	£14.0	£9.79	£14.5
EBITDA interest cover (%)	441%	455%	166%	339%	667%	414%
Operating Margin: social housing lettings (%)	3.38%	3.52%	2.73%	2.01%	10.23%	2.44%
Operating margin: organisation (%)	2.48%	2.19%	1.73%	1.55%	7.61%	1.77%
Return on capital employed (%)	7.09%	1.59%	1.26%	1.06%	2.73%	1.28%
Gearing (%)	4.6%	3.8%	-1.4%	0%	7.2%	0%
Reinvestment (%)	0.3%	-	1.99%	2%	4.7%	2%
New supply delivered	-	-	-	-	1.4%	-

Evolve Metric	2018/19	2019/20	2020/21 Actual	2020/21 Target	SPBM 2020/21 Median	2021/22 Target
Colleague absences (working days lost)	8.1	11.2	9.8	6	9.8	6
Customers with staying safe plans (%)	45.4%	99.5%	99.3%	100%	-	100%
Additional funds raised (£'000)	N/A	N/A	£202	£308	N/A	N/A
Void losses (%)	5.6%	5.2%	4.9%	3%	5.95%	3%
Arrears (%)	3.18%	2.61%	3.96%	2.22%	4.3%	2.22%

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 spend significant sums on fire safety work, which together with static funding from our commissioning partners puts pressure on our margins.

We have deliberately allowed our gearing ratio to fall in order to increase our borrowing capacity for future developments.

The coronavirus pandemic imposed significant extra costs on our business. In order to deliver our contracted hours of support and keep customers and colleagues safe, we introduced additional sick pay arrangements. Agency and bank staff were used to cover absences. Enhanced infection control procedures were introduced and all locations were adapted to be 'Covid-secure'. We were successful in securing additional funding from our local authority partners and from several charitable trusts and individual donors, enabling us to recover

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Directors' Report for the year ended 31 March 2021

65% of our additional costs. All our accommodation services remained open and fully staffed during the year and Covid infection rates amongst colleagues and customers were very low. More information on value for money, including details of our social value, can be found in our full VfM review and on our website.

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 £13,045k to £13,273k. 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 £3.34m, representing approximately 3 months of expenditure (2020: £3.67m, representing 3.5 months of expenditure).

PROVISION OF INFORMATION TO AUDITOR

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 23 September 2021 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 Leadership Team reviewing key risks at their regular meetings. Members of the Leadership 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 organisation and of surplus or deficit of the organisation 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 organisation's transactions and disclose with reasonable accuracy at any time the financial position of the organisation 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 organisation 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. 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 on the financial statements

In our opinion, the financial statements:

- give a true and fair view of the state of the Organisation's affairs as at 31 March 2021 and of the Organisation'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.

We have audited the financial statements of Evolve Housing + Support ("the Organisation") for the year ended 31 March 2021 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in reserves, the cash flow statement 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).

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remain independent of the Organisation 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.

Conclusions relating to going concern

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

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

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

Other information

The board are responsible for the other information. The other information comprises the information included in the annual report, 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. Our responsibility is to read the other information including the Strategic Report, Statement of the Systems 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.

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

Other Companies Act 2006 reporting

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 the Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Organisation and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and the 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 Organisation, or returns adequate for our audit have not been received from branches not visited by us; or
- the Organisation 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; or

Responsibilities of the Directors

As explained more fully in the Directors' responsibilities statement 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 Organisation'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 Directors either intend to liquidate the Organisation 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.

Extent to which the audit was capable of detecting irregularities, including fraud

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

Based on our understanding of the Organisation and the industry in which it operates, we identified that the principal laws and regulations that directly affect the financial statements to be the Companies Act 2006, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019. We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

In addition the Organisation is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: employment law, data protection and health and safety legislation. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Directors and other management and inspection of regulatory and legal correspondence if any.

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

Audit procedures performed by the engagement team included:

- Discussions with management and internal audit, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Reading minutes of meeting of those charged with governance, and reviewing correspondence with HMRC;
- Challenging assumptions made by management in their significant accounting estimates in particular in relation to the revenue recognition assumptions for grant awards; and
- In addressing the risk of fraud through management override of controls; testing the appropriateness of journal entries and other adjustments, in particular any journals posted to cash and material journal adjustments.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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 Organisation, 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 Organisation'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 Organisation and the members as a body, for our audit work, for this report, or for the opinions we have formed.

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

29 September 2021

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 2021

	Note	2021	2020
		£	£
Turnover	4	12,815,472	12,440,191
Operating costs	4	(13,459,313)	(12,717,401)
Other operating income	4	1,009,656	718,600
Profit on disposal of tangible fixed assets	11	192	6,095
Development costs written off	12	(6,000)	(485,438)
Operating surplus/(deficit)	4,8	360,007	(37,953)
Interest receivable and similar income	13	19,904	48,597
Interest payable and financing costs	14	(151,574)	(195,282)
Total comprehensive income for the year		228,337	(184,638)

The notes on pages 21 to 35 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 2021

	<u>Notes</u>	<u>Unrestricted</u> <u>Housing</u> <u>activities</u> £	<u>Non-housing</u> <u>activities</u> £	<u>Restricted</u> <u>Non-</u> <u>housing</u> <u>activities</u> £	<u>31 March</u> <u>2021</u> £	<u>31 March</u> <u>2020</u> £
Income						
Grants and Donations	4	157,966	151,785	676,427	986,178	610,932
Charitable activities	4	12,815,472	-	-	12,815,472	12,440,191
Other trading activities	6	-	23,478	-	23,478	107,668
Interest receivable	13	-	19,904	-	19,904	48,597
		<u>12,973,438</u>	<u>195,167</u>	<u>676,427</u>	<u>13,845,032</u>	<u>13,207,388</u>
Expenditure						
Raising Funds	4	-	195,420	-	195,420	172,778
Charitable activities	4	12,513,392	22,430	652,797	13,188,619	12,419,863
Other trading activities	4	-	75,274	-	75,274	124,760
Interest payable	14	87,887	63,687	-	151,574	195,282
		<u>12,601,279</u>	<u>356,811</u>	<u>652,797</u>	<u>13,610,887</u>	<u>12,912,683</u>
Net income	8	372,159	(161,644)	23,630	234,145	294,705
Profit on disposal of tangible fixed assets	11	192	-	-	192	6,095
Development costs written off	12	(6,000)	-	-	(6,000)	(485,438)
Net movement in funds		<u>366,351</u>	<u>(161,644)</u>	<u>23,630</u>	<u>228,337</u>	<u>(184,638)</u>
Reconciliation of funds						
Opening balance as at 1 April 2020		6,548,754	6,390,892	105,311	13,044,957	13,229,595
Closing balance as at 31 March 2021		<u>6,915,105</u>	<u>6,229,248</u>	<u>128,941</u>	<u>13,273,294</u>	<u>13,044,957</u>

The notes on pages 21 to 35 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

Statement of Financial Position at 31 March 2021

Registered Company number: 4796537

	Note	2021 £	2020 £
Fixed assets			
Tangible fixed assets – housing properties	15	27,311,163	27,644,654
Tangible fixed assets - other	16	2,382,421	2,473,593
		29,693,584	30,118,247
Current assets			
Debtors – receivable within one year	17	1,115,751	1,294,170
Cash and cash equivalents		5,540,751	5,449,443
		6,656,502	6,743,613
Creditors: amounts falling due within one year	18	3,191,700	2,969,628
Net current assets		3,464,802	3,773,985
Total assets less current liabilities		33,158,386	33,892,232
Creditors: amounts falling due after more than one year	19	19,885,092	20,847,275
Net assets		13,273,294	13,044,957
Funds and Reserves			
General Housing Reserve - Unrestricted		6,915,105	6,548,754
Non-Housing Reserves			
Unrestricted		6,229,248	6,390,892
Restricted		128,941	105,311
		13,273,294	13,044,957

The financial statements were approved by the Board of Directors and authorised for issue on 23 September 2021.

Paul Perkin
Chair

The notes on pages 21 to 35 form part of these financial statements.

Evolve Housing + Support

Statement of Changes in Reserves for the year ended 31 March 2021

	General Housing Reserve – Unrestricted	Non-Housing Reserve - Unrestricted	Non-Housing Reserve - Restricted	Total Reserves
	£	£	£	£
Balance at 1 April 2020	6,548,754	6,390,892	105,311	13,044,957
Surplus/(Deficit) for the year	366,351	(161,644)	23,630	228,337
Balance at 31 March 2021	6,915,105	6,229,248	128,941	13,273,294

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
Surplus/(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

Evolve Housing + Support

Statement of Cash Flows for the year ended 31 March 2021

	Note	2021 £	2020 £	
Cash flows from operating activities				
Surplus/(Deficit) for the financial year		228,337	(184,638)	
Adjustments for:				
Depreciation of fixed assets - housing properties	15	875,634	875,417	
Depreciation of fixed assets - other	16	91,172	125,529	
Amortised government grants	5	(401,190)	(401,190)	
Interest payable and financing costs	14	151,574	195,282	
Interest receivable and similar income	13	(19,904)	(48,597)	
Profit on the disposal of fixed assets - housing properties	11	-	-	
Profit on the disposal of fixed assets – other assets	11	(192)	(6,095)	
Previously capitalised development costs written off	12	-	485,438	
Decrease/(Increase) in trade and other debtors		178,419	(545,473)	
Increase/(Decrease) in trade and other creditors		175,107	233,007	
Net cash generated from operating activities		1,278,957	728,680	
Cash flows from investing activities				
Proceeds from disposal of fixed assets – housing properties		-	-	
Proceeds from disposal of fixed assets - other		192	6,095	
Purchases of fixed assets – housing properties	15	(519,494)	(456,198)	
Purchases of fixed assets - other	16	-	(36,202)	
Interest received	13	19,904	48,597	
Net cash from investing activities		(499,398)	(437,708)	
Cash flows from financing activities				
Interest paid	14	(151,574)	(195,282)	
Repayment of loans - bank	21	(536,677)	(498,348)	
Net cash used in financing activities		(688,251)	(693,630)	
Net increase/(decrease) in cash and cash equivalents		91,308	(402,658)	
Cash and cash equivalents at beginning of year		5,449,443	5,852,101	
Cash and cash equivalents at end of year		5,540,751	5,449,443	
Net Debt				
Cash and cash equivalents		5,540,751	5,449,443	
Borrowings – repayable in one year	21	(537,960)	(513,644)	
Borrowings – repayable after more than one year	21	(4,841,316)	(5,402,310)	
Net Debt		161,475	(466,511)	
Reconciliation of net debt				
	1 April 2020	Cash flows	Non cash changes	31 March 2021
Cash at bank	5,449,443	91,308	-	5,440,751
Short term loans	(513,644)	-	(24,316)	(537,960)
Long term loans	(5,402,310)	536,678	24,316	(4,841,316)
Net debt	(466,511)	627,986	-	161,475

The notes on pages 21 to 35 form part of these financial statements.

Evolve Housing + Support

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Evolve Housing + Support

Notes forming part of the financial statements for the year ended 31 March 2021 (continued)

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, the Board notes the strong cash position with funds earmarked, though not restricted, to fund future developments. Our development plans have been delayed and the Board have agreed that some of the invested funds can be used to provide the necessary cash flow to fund the cladding remediation work. With forecasts that show positive cash whilst still maintaining a substantial buffer (of approximately 1/4 of 2021 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;
- Government/Local Authority grants (including Coronavirus Job Retention Scheme)
- 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 2021 (continued)

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 2021 (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 2021 (continued)

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 Statement of Financial Position 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. Funds received under the Coronavirus Job Retention Scheme ('furlough') have been recognised in the Statement of Comprehensive Income on a receivable basis.

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 financial year end. 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 2021 (continued)

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 Statement of Financial Position 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 Statement of Financial Position 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 2021 (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. 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.

Evolve Housing + Support

Notes forming part of the financial statements for the year ended 31 March 2021 (continued)

4 Particulars of turnover, operating costs and operating surplus

	Turnover	Operating costs	Operating surplus
	2021	2021	2021
	£	£	£
Social housing lettings (Note 5)	10,204,923	10,235,450	(30,527)
Other Social Housing Activities			
Charges for support services	158,551	207,661	(49,110)
Supporting people	2,451,998	2,451,998	-
	12,815,472	12,895,109	(79,637)
Activities other than Social Housing Activities			
Lettings	23,478	75,274	(51,796)
Other	986,178	488,930	497,248
	1,009,656	564,204	445,452
Surplus before disposal of tangible fixed assets	13,825,128	13,459,313	365,815
Profit on disposal of tangible fixed assets	192	-	192
Development costs written off	-	6,000	(6,000)
Operating Surplus	13,825,320	13,465,313	360,007
	Turnover	Operating costs	Operating deficit
	2020	2020	2020
	£	£	£
Social housing lettings (Note 5)	9,519,272	9,032,317	486,955
Other Social Housing Activities			
Charges for support services	186,981	318,701	(131,720)
Supporting people	2,733,938	2,733,938	-
	12,440,191	12,084,956	355,235
Activities other than Social Housing Activities			
Lettings	107,668	124,760	(17,093)
Other	610,932	507,684	103,248
	718,600	632,445	86,155
Surplus before disposal of tangible fixed assets	13,158,791	12,717,401	441,390
Profit on disposal of tangible fixed assets	6,095	-	6,095
Development costs written off	-	485,438	(485,438)
Operating Deficit	13,164,886	13,202,839	(37,953)

Evolve Housing + Support

Notes forming part of the financial statements for the year ended 31 March 2021 (continued)

5 Income and expenditure from social housing lettings

	Supported housing 2021	Supported housing 2020
	£	£
Income		
Rents net of identifiable service charges	4,284,623	4,227,448
Service charge income	4,936,466	4,890,541
Amortised government grants	401,190	401,190
Other income	582,644	93
Turnover from social housing lettings	10,204,923	9,519,272
Expenditure		
Management	1,490,164	1,352,056
Service charge costs	4,991,827	4,432,503
Routine maintenance	1,206,715	728,008
Planned maintenance	920	94,680
Major repairs expenditure	918,866	874,475
Bad debts	130,537	163,199
Depreciation of housing properties:		
- annual charge	875,634	875,417
Other costs	620,787	511,979
Operating expenditure on social housing lettings	10,235,450	9,032,317
Operating (deficit)/surplus on social housing lettings	(30,527)	486,955
Void losses	589,111	623,514

Other income includes receipts of £172,404 from the Government Coronavirus Job Retention Scheme, additional grants from Local Authority partners to run specialised services and to assist with additional expenditure arising due to the pandemic.

6 Turnover from non-social housing lettings

	2021	2020
	£	£
Conferencing and nursery facilities	23,478	107,668

7 Units of housing stock

	2021	2020
	Number	Number
Supported Housing		
- Owned Units	435	435
Supported Accommodation managed for others	163	215
Total owned and managed accommodation	598	650
Supported Accommodation managed for others at 1 April 2020	215	243
Units handed back to landlord	(52)	(28)
Supported Accommodation managed for others at 31 March 2021	163	215

Evolve Housing + Support

Notes forming part of the financial statements for the year ended 31 March 2021 (continued)

8 Operating surplus/(deficit)

	2021 £	2020 £
This is arrived at after charging/(crediting):		
Depreciation of housing properties	875,634	875,417
Depreciation of other tangible fixed assets	91,172	125,529
Profit on disposal of fixed assets	192	6,095
Operating lease charges – land & building	129,593	100,718
Auditor's remuneration:		
- fees payable to the organisation's auditor for the audit of the annual accounts	31,220	31,000
Internal Auditor's remuneration	-	11,529
Defined contribution pension cost	181,368	168,931

9 Employees

	2021 £	2020 £
Staff costs (including Executive Management Team) consist of:		
Wages and salaries	5,908,442	5,532,591
Social security costs	508,494	466,674
Cost of defined contribution scheme	181,368	168,931
Total staff costs	6,598,304	6,168,196

Included in staff costs is £nil redundancy costs paid. (2020: £nil).

The average number of employees (including the executive management team) during the year, based on headcount, was as follows:

	2021 Number	2020 Number
Administration	26	30
Housing and Support	198	197
Charitable projects	9	5
	233	232

Evolve Housing + Support

Notes forming part of the financial statements for the year ended 31 March 2021 (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 Leadership Team as disclosed on page 1.

	2021 £	2020 £
Leadership Team emoluments	402,988	391,557
Contributions to money purchase pension schemes	39,954	38,824
	442,942	430,381

None of the members of the Board received any emoluments from the organisation (2020: nil).

The total amount payable to the Chief Executive, who was also the highest paid director in respect of emoluments, was £98,450 (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 into the organisation's defined contribution pension scheme on behalf of 6 senior executives (2020 - 6).

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

	2021 Number	2020 Number
£60,000 - £69,999	1	1
£70,000 - £79,999	2	3
£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 £30,900 (2020: £38,824).

One director took unpaid sabbatical leave during the year.

Evolve Housing + Support

Notes forming part of the financial statements for the year ended 31 March 2021 (continued)

11 Profit on disposal of tangible fixed assets

	2021	2020
	£	£
Housing Properties: Net profit on disposal	-	-
Other fixed assets: Net profit on disposal	192	6,095
Profit on disposal of tangible fixed assets	192	6,095

12 Development costs written off

	2021	2020
	£	£
Accumulated development costs written off	6,000	485,438

In September 2020 it became clear that, despite numerous revisions to our plans at the Council's request, the planning department was not going to support our plans to develop up to 60 units of affordable move on accommodation in Croydon. As a result, the accumulated costs were written off in the 2020 accounts. The additional £6,000 represents late costs not captured in the original write 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

	2021	2020
	£	£
Bank Interest receivable	19,904	48,597

14 Interest payable and financing costs

	2021	2020
	£	£
Interest payable on bank loans and overdrafts	141,585	184,630
Bank charges	9,989	10,652
	151,574	195,282

Evolve Housing + Support

Notes forming part of the financial statements for the year ended 31 March 2021 (continued)

15 Tangible fixed assets - housing properties

	Freehold Land & Buildings £	Long Leasehold Land & Buildings £	Total Land & Buildings £
<i>Cost or valuation:</i>			
At 1 April 2020	35,140,612	1,107,651	36,248,263
Additions	542,143	-	542,143
Disposals	-	-	-
At 31 March 2021	35,682,755	1,107,651	36,790,406
<i>Depreciation:</i>			
At 1 April 2020	8,147,975	455,634	8,603,609
Charge for the year	857,686	17,948	875,634
Disposals	-	-	-
At 31 March 2021	9,005,661	473,582	9,479,243
Net book value at 31 March 2021	26,677,094	634,069	27,311,163
Net book value at 31 March 2020	26,992,637	652,017	27,644,654

	2021 £	2020 £
Works to properties		
Improvements to existing properties capitalised	542,143	77,410
Major repairs expenditure charged to Statement of Comprehensive Income	918,866	874,475
	1,461,009	951,885
Capital grant – Housing Properties	20,059,486	20,059,486

Impairment

The organisation considers £27,311,163 to represent separate cash generating units (CGU's) when assessing for impairment in accordance with the requirements of FRS102 and SORP 2018.

During the year, we completed the removal and replacement of cladding on one of our buildings. A second building that is over 18m in height has some cladding, and work is underway to replace this and to remediate other problems with the external wall system. Whilst it has been confirmed that the building is 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 this building asset. The Board have carried out a review of the carrying value of this property asset in the annual statutory accounts and their review concluded that they do not consider the carrying value of this property asset in the annual statutory accounts is impaired, due to the continued revenue generated from its use.

Properties held for security

Property with a net book value of £14,102,131 was pledged as security at 31 March 2021 (2020 - £13,917,042).

Evolve Housing + Support

Notes forming part of the financial statements for the year ended 31 March 2021 (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 2020	2,816,780	1,324,293	4,141,073
Additions	-	-	-
Disposals	-	-	-
At 31 March 2021	2,816,780	1,324,293	4,141,073
<i>Depreciation</i>			
At 1 April 2020	480,709	1,186,771	1,667,480
Charge for year	35,289	55,883	91,172
Disposals	-	-	-
At 31 March 2021	515,998	1,242,654	1,758,652
<i>Net book value</i>			
At 31 March 2021	2,300,782	81,639	2,382,421
At 31 March 2020	2,336,071	137,522	2,473,593

17 Debtors

	2021 £	2020 £
Receivable within one year		
Rent and service charge arrears	1,126,409	912,201
Less: Provision for doubtful debts	(472,405)	(425,921)
	654,004	486,280
Trade debtors	270,828	365,695
Other debtors	116,436	374,429
Prepayments and accrued income	74,483	67,766
	1,115,751	1,294,170

18 Creditors: amounts falling due within one year

	2021 £	2020 £
Loans and borrowings (note 21)	537,960	513,644
Trade creditors	745,826	666,641
Taxation and social security	128,263	144,548
Other creditors	360,380	135,856
Deferred capital grant (Note 20)	401,190	401,190
Accruals and deferred income	1,018,081	1,107,749
	3,191,700	2,969,628

The bank loans are repayable in instalments over 10 - 15 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 2021 (continued)

19 Creditors: amounts falling due after more than one year

	2021 £	2020 £
Loans and borrowings (Note 21)	4,841,316	5,402,310
Deferred capital grant (Note 20)	15,043,776	15,444,965
	19,885,092	20,847,275

20 Deferred capital grants

	2021 £	2020 £
At 1 April	15,846,155	16,247,345
Grants received during the year	-	-
Released to income during the year	(401,190)	(401,190)
At 31 March	15,444,965	15,846,155
Total value of grants received	20,059,486	20,059,486

21 Loans and borrowings

Maturity of debt:

	2021 £	2020 £
In one year or less, or on demand	537,960	513,644
In more than one year but not more than two years	551,763	528,813
In more than two years but not more than five years	1,741,757	1,685,986
In more than five years	2,547,796	3,187,510
	5,379,276	5,915,953

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

	2021 £	2020 £
Land and buildings		
Not later than 1 year	47,918	47,918
Within 1 - 2 years	52,800	52,800
Within 2 – 5 years	31,500	-
	132,218	100,718

24 Related party disclosures

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