

Charity No. 1113331  
Company No. 5319765

**COMMONWEAL HOUSING LIMITED**  
(a company limited by guarantee)

**REPORT AND FINANCIAL STATEMENTS**

For the year ended 31 December 2019

# Commonweal Housing Limited

## REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2019

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## **LEGAL AND ADMINISTRATIVE DETAILS**

Company registration number: 5319765

Charity registration number: 1113331

Principal address: Unit 306, The Blackfriars Foundry  
156 Blackfriars Road  
London SE1 8EN

Registered office: 2 Babmaes Street  
London SW1Y 6HD

Honorary President: Sir John Mactaggart Bt

Directors and Trustees: Rt. Hon Fiona Mactaggart (Chair to 17.6.19)  
Steve Douglas CBE (Chair from 17.6.19)  
Gary Medazoumian FCA  
Jack Mactaggart  
Prof. Jonathan Portes  
Russ Edwards  
Sarah Jackson OBE  
Becky Rice  
Sneha Patel (appointed 9.12.19)  
Jeremy Swain (appointed 9.12.19)

Secretary: Gary Medazoumian FCA

Bankers: Barclays Bank plc  
7<sup>th</sup> Floor,  
180 Oxford Street  
London BX3 2BB

Solicitors: Bircham Dyson Bell  
50 Broadway  
London SW1H 0BL

Auditors: Haysmacintyre LLP  
10 Queen Street Place  
London  
EC4R 1AG

# REPORT OF THE TRUSTEES

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## INTRODUCTION

The Trustees, who act as directors for the purposes of the company law, present their report and financial statements for the year ended 31 December 2019.

Commonweal Housing is an independent charity working to investigate, pilot and champion housing-based solutions to social injustice.

Using our charitable resources, we provide experts and partner organisations with the opportunity to investigate, trial, pilot and test new approaches and new service models designed to enhance housing equality and justice.

We remain grateful to the Directors of Grove End Housing, a not for profit property company, who remain our principal benefactors. We are proud of our history and our lineage as part of the wider philanthropic heritage of the Mactaggart family.

This independent funding and independent governance allow us to investigate social injustices and housing solutions that may otherwise be overlooked. We highlight issues, injustices and solutions from the perspective of an *invested charity*, deploying our charitable resources to maximise learning, not as a vested interest.

Independently evaluating each of our projects we share our experiences, using this learning to inspire new thinking. Through the wider adoption and adaptation by others of what works and sharing the lessons from what doesn't, we influence changes in policy and practice

The Board believe Commonweal should focus efforts on going deeper into areas of social policy and injustice where the charity has built up a track record of activity, networks of support and knowledge over the last decade or so. Specifically, (but not exclusively):

- **Violence against women and girls**
- **The criminal justice system**
- **Transitions** – *be that transitions to adulthood, transitions in accommodation from institutions to independence or other 'life' transitions*

The Board however are also clear that key to Commonweal's strength and role is to be nimble and to react and support new or emerging issues and projects. Therefore, whilst '*nearer and deeper*' will be the focus for staff time we remain open to exploring new ideas from wherever they emerge.

The Board has set an ambitious 5-year vision for the charity that by 2025 Commonweal will be widely viewed as:

**“a ‘go to’ organisation for innovative and deliverable housing-based solutions to social injustice – at the forefront of imaginative thinking”**

For Commonweal we start from a position of wanting to understand what the injustice is, its causes and trajectory and then, working with partners, we see *if* housing might have a role to play in its solution. We passionately believe in the importance to people's lives of safe, stable, secure and accessible housing a situation that may not necessarily be obvious when first considering an issue. However, we also recognise in some cases housing may not have a central role to play.

**Commonweal is a social injustice housing-based action learning charity**

We are further developing our *reputation as innovators and leaders in the field of housing backed social investment*. We have been successful at providing attractive investment propositions to charitable Trusts, Foundations and others seeking mission related and social investment opportunities. Commonweal continues to work with organisations such as Big Society Capital and Social Finance to share our experiences

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### **OBJECTIVES AND ACTIVITIES**

The Charity's core objects are the provision of housing for those who are in conditions of need and the advancement of education and training in particular (but without limitation) in relation to housing need.

**We deliver our objects via two work streams:**

**Property (acquisition) based medium to long term (5-10 year) action learning projects** where the major investment by Commonweal is in the provision of the bespoke housing – using our existing capital or revenue funds as well as social investment funding. These cornerstone projects are aimed at thoroughly testing a new model or service with learning captured and widely shared to encourage or enable replication, policy or practice change by others.

**Short term initial research and feasibility studies** undertaken by others using Commonweal's revenue funding. Such early stage research is designed to '*scratch beneath the surface*' of a new, emerging or less-understood issue. The outcomes will add value to general understanding of the issue but may also lead to longer term action learning projects. As with all activity supported by Commonweal the measure of success is not that such work is being done *per se* but that this work has a wider impact.

In addition to these core work streams we will also consider opportunities for small-scale direct social investment where this will help meet our charitable objectives.

Our strap line '**housing solutions to social injustice**' is backed by a vision of:

- ***Helping partnerships through property;***
- ***Achieving leadership through learning;***
- ***Delivering real change through collaboration***
- ***Tackling injustice through innovation and***
- ***Encouraging positive change, as evidenced, to policy and practice***

### **ACHIEVEMENTS AND PERFORMANCE**

2019 was an important year for Commonweal, it saw the ending of our first social investment deal entered in to 7 years previously. In addition, we had a change of Chair of the Board; secured a new social investment deal and were shortlisted for a number of prestigious awards. We updated our staffing structure making the charity more resilient, growing our capacity and held our latest new ideas competition for research and feasibility funding. Our Housing Helps competition was an exercise that captured people's imaginations opening Commonweal up to a growing audience of potential partners, attracting a range of entries and helped us engage across a wide area of social policy and examples of social injustice.

In terms of social investment, the positive conclusion of our Peer Landlord deal entered in to back in 2012/13 was an important milestone for Commonweal. At the time it was a new venture for the charity accessing social investment funds to support our property acquisition programme enabling delivery of more and bigger pilot projects. Our first deal – raising £1.5M – involved Bridges Ventures, the Esmée Fairbairn Foundation and Trust for London. The innovative deal which has been the blueprint for Commonweal's subsequent deals brought social investment funds in to the arena of 'trying and testing' new models and new ideas, something that is at the heart of Commonweal's work but very different from the usual funding of 'tried and tested' models more commonly favoured by investors.

Our unique risk sharing model has proved to be a success. In 2019 Commonweal has been able to redeem the loan notes on this deal providing our investors with a healthy financial return over the term as well as demonstrating significant social value. Specifically, in terms of social value has been the success of the model and the ongoing delivery of Peer Landlord housing by one of the original pilot partners as part of their future delivery programme as well as replication of the approach by others.

Following our AGM in June 2019 the role of Chair passed from Rt Hon Fiona Mactaggart to Steve Douglas CBE. We are delighted that Fiona remains on the Board and we are grateful to Steve, a long standing Trustee, for taking on

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the role – the charity has benefitted from his skills and expertise. As part of a succession plan the Board also formalised the role of Vice Chair for the charity and elected an existing Trustee, Jack Mactaggart, to that position. Senior staff member Amy Doyle returned from maternity leave in the summer; the Board took the opportunity to create a new role of Deputy Chief Executive, providing greater senior executive support for the Board, recognising the growing staff team and role of others in the organisation and increasing capacity. Amy as DCEO is already taking on a growing external ambassadorial role, supporting the CEO and maximising opportunities to raise awareness of Commonweal. Amy is currently Chair of the London Funders Housing & Homelessness Group.

Our 2018/19 Housing Helps competition supported by our friends at 24Housing magazine attracted a large number of entries highlighting issues and areas of housing related injustice people felt would benefit from early stage research. Our invited panel of expert judges and Trustees selected Hibiscus as the competition winner to receive £10K of funding towards research into issues faced by victims of trafficking in terms of suitable emergency and supported housing. In addition, Commonweal has been able to take forward discussions and funding for two or three other ideas that were felt to be of particular merit and interest. The outcomes of these new pieces of research will be a key part of our communications and policy work in 2020.

We were particularly pleased in June 2019 to welcome the first two recipients of our Jane Slowey Memorial Bursaries delivered in partnership with the University of Birmingham, as they presented the findings of their third year dissertations to an audience of Commonweal Trustees, Advisory Panel, staff, along with members of Jane Slowey's family, UoB staff and other invited guests. The presentations from Jessica Duncan and Alex Cirant-Taljaard were excellent and we are delighted that the Bursaries are supporting another two UoB students to enhance their dissertation research this year.

At the end of 2019 we also welcomed two new Trustees to the Board, Sneha Patel and Jeremy Swain appointed to the Board at the December 2019 meeting. Both bring with them individually specialist skills and knowledge in variously communications and homelessness but crucially also extensive and recent policy, national and regional government experience. We are delighted to welcome them to the Board.

Finally, we have been delighted that Commonweal and some of our project partners have been recognised and shortlisted in a range of different awards in 2019 including the Charity Times Awards, 24 Housing Awards, the Guardian Public Service Awards, the Women in Housing Awards as well as the Homeless Link Excellence Awards.

The key activities and projects for the year are set out below: -

### *Longer Term property-based action learning project*

- *The Amari Project* – established in 2016 with Solace Women's Aid, Amari has grown steadily since then as we have recycled a number of 1 bed flats in to this project with 11 flats now in use at the end of 2019. Amari provides transitional accommodation for women escaping sexual exploitation - such as women formerly involved in street-based prostitution or victims of trafficking - and builds upon key replication from the previous Chrysalis project. The independent evaluation of and key learning from the project was published in April 2019
- *The Peer Landlord Project* – the original pilot projects have now ended and we are very much in the replication and promotion of the supportive shared housing model. We are delighted that Thames Reach – one of our original partners – has embedded this shared housing model as part of their core service delivery going forward. The sale of three of the Peer Landlord pilot properties to Thames Reach in 2019 was a positive result for all concerned. Commonweal are pleased to have finalised the new partnership agreement and associated leases with Depaul UK for 5 of the original pilot properties for their use as a new development of the supportive shared housing, Peer Landlord, approach for the young people they work with. The fact that Depaul are committed to delivery of this approach and have committed their own internal evaluation resources to capture their own learning is fantastic. We are continuing to work with organisations such as Crisis, Shelter and Homeless Link to share learning.

- *No Recourse to Public Funds* – February 2019 saw the publication of the final evaluation report for this important project meeting the accommodation and support needs of those facing destitution with no recourse to public funds within the asylum system, in addition to families with children who would otherwise be homeless. The project is delivered by our excellent project partners, Praxis Community Projects. This innovative and vital project continued to be recognised receiving a number of awards, commendations and recognition in 2019. The project won the Innovation in Housing award at the Homeless Link Excellence Awards and was shortlisted in the Housing & Homelessness category at the Guardian Public Service Awards in the Autumn. Praxis and Commonweal are working with a range of bodies to promote the findings and to continue to develop and enhance the model. We are specifically working with NACCOM (the No Accommodation Network) a membership network of specialist charities and groups supporting migrants and refugees across the country
- *Freedom2Work: Buying the Future* – 2019 was year four of Commonweal’s 5-year revenue support enabling our project partners Elmbridge Rentstart to use part of their existing PRS portfolio, managed on behalf of local charities and private landlords, to support individuals moving from benefits to employment in high cost private rented sector. This innovative support programme helps people develop a savings culture initially intending to ease the financial jolt that frequently occurs when taking up employment. The project evaluation fieldwork completed in 2019, with the final report from the team at De Montfort University led by Prof. Jo Richardson due to be published in early 2020. Conversations are ongoing with ERS as well as national partners such as Crisis to consider how best to promote and replicate the successful Freedom2 approach.
- *Move on Up* – 2019 was a significant year for this new young adult carers project, delivered by Quaker Social Action. In the summer QSA lost their project manager who had helped set up the project and took the opportunity to review the staffing and introduce a split in the housing management and support roles (roles previously undertaken by the one project manager). This change in personnel as well as the new structure has resulted in some turbulence for the project and the need for staff and residents to build new relationships. It was agreed that so as to capture data and learning from this new structure allowing an element of ‘compare and contrast’ with the previous regime, that the evaluation period would be extended through to Q1 2020. In autumn 2019 our evaluators the Learning & Work Institute held a stakeholder roundtable discussion with key organisations to test out their early and interim findings and start to consider options for dissemination and replication going forward. We are excited for the possibilities of this project in 2020.
- *The Rhea project* – Started in 2018 this is a second project with Solace Women’s Aid, in this case in partnership with LB Southwark. Rhea utilises some of Commonweal’s housing stock providing short term temporary family homes to women and their children fleeing domestic violence where traditional refuge or similar accommodation may not be available or appropriate such as if the family includes an older male child. This partnership model has already attracted attention and positive comments both from the local government and voluntary sectors. The Commonweal commissioned evaluation of this important initiative will report in early 2020.
- *Action Foundation* – as previously reported, Commonweal are a patient capital investor, having provided loan funding on a 10-year interest bearing arrangement to Action Foundation based in Newcastle Upon Tyne. Action Foundation are a migrant and refugee support organisation that has a long and successful track record of providing accommodation. The work of Action Foundation is closely aligned with Commonweal’s own NRPF project. Action Foundation are also leading members of NACCOM.
- *The Commonweal & Reed Watts Pods* – In 2019, to help take forward and promote the idea of these flat pack temporary housing shelters, Commonweal formally partnered with Housing Justice, a membership body of church and faith groups delivering housing and support services. Housing Justice both run night shelters themselves and crucially advise their members on such things. Learning from the experience of the PODS deployed at winter and night shelters over 2018/19, designers Reed Watts have further tweaked the design and in partnership with a young architecture student, George Fisher, developed a new low level design in 2019. We are delighted that a similar low level Pod design is being used by the Salvation Army Redbridge in their Ilford shelter. With all our partners Commonweal continues to explore the views of those using and operating the PODS and to identify if and how they can be developed and replicated further.

*Feasibility Studies –new short term research and feasibility studies supported in 2019 mainly grew from the 2018/19 Housing Helps competition*

- *Hibiscus Initiatives: Housing for victims of trafficking* – Our Housing Helps competition winners were supported to look at the injustice caused by current policy which places potential vulnerable and traumatised victims of trafficking into unsuitable accommodation whilst their needs and experiences are reviewed, which can take several months. The final report is due to be published in early 2020.
- *Women's Hosting Schemes* – Researchers Lisa Young and Tessa Horvath's proposal to the Housing Helps competition to explore issues and options for hosting schemes focussing specifically on accommodating vulnerable women was commended by the judging panel. Again, the final report is to be published in early 2020.
- *1625iP* – The potential for *back garden bedrooms* to ease tensions in overcrowded households was the premise of the competition entry from young people's Bristol based charity 1625 Independent People. They were keen to explore whether this model developed initially in Australia might have some relevance and offer opportunities in the UK. This early feasibility study took some time to come together in 2019 but funding was finally agreed and the work itself will be undertaken primarily in 2020 with a report due later that year.
- *Exempt Accommodation* – Growing out of the contacts made at the University of Birmingham as a result of the Jane Slowey Bursary, Commonweal were pleased to support this important piece of research undertaken by Thea Raisbeck, Honorary Research Fellow within the Housing and Communities Research Group at the University of Birmingham. Undertaken in partnership with Spring Housing Association this report shines a light on an under reported and little explored part of the housing sector – a complex (and growing) network of organisations and private landlords providing housing with an element of support and care to some of the most vulnerable people in our society but not through formally commissioned local authority or public sector services. This Commonweal funded report undertaken in 2019 builds upon previous research by Thea and colleagues looking at the scale of the sector in Birmingham. This important work has highlighted some major policy concerns around lack of accountability, governance oversight, quality and standards operating in this sector which is currently costing many millions of pounds of housing benefit funding every year across the country. The implications and fall out from this report (covered extensively in both national and trade press when released in November 2019) is likely to be a major part of Commonweal policy activity in 2020.
- *Bristol Housing Festival: Zedpods* – Continuing our willingness to explore the practicalities in use and opportunities for different marginalised client groups of innovative new housing designs and modern methods of construction we agreed in 2019 to support evaluation research of such an innovative model being delivered in Bristol. The Zedpods design looks to provide factory built housing on stilts utilising the airspace above ground level carparks. This proposal itself grew from the first Bristol Housing Festival - a citywide commitment to support new housing models and ideas. Commonweal's evaluation funding is not looking specifically at the functionality, cost or deliverability of the housing structure per se but importantly the benefits or otherwise for the marginalised groups being housed in this innovative accommodation. Again, it took some time to pull all the pieces of the project together, as such the research itself will be undertaken in 2020.
- *Modular Housing* – George Fisher, an architecture and design Masters student at Central St Martin's School of Art undertook a voluntary work placement with Commonweal over summer 2019. During this time George was asked to pull together initially an internal piece of work exploring with those developing modular and modern methods of construction housing whether they felt there was a role to play for Commonweal. This led on from our previous support for the LivShare project as well as the 1625ip proposal. The research and report produced by George was of such high quality that the Board Agreed that it should be published as a useful resource highlighting some of the issues and concerns for those developing such innovative housing models. With this being finalised in between George's academic studies – the final



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report will be published in early 2020. We are grateful to George Fisher for his engagement with Commonweal and for his enthusiasm for this piece of work.

### *Other activity*

- *Non-project stock* – As at the end of 2019 Commonweal has three properties let as a private sector leasing scheme via private agents Dabora Conway. These three properties, not currently used for long term projects, are providing temporary housing for homeless households nominated by local authorities. The properties are let on short 1-3 year terms. This is in line with the asset strategy agreed by the Board and we will continue to consider them for future project use if and when appropriate. Commonweal continues to keep our property portfolio under close review.
  
- *Future of London: Community-Led Housing* – In 2019 Commonweal provided a small amount of funding to Future of London. This was to support *Foundations for Community-Led Housing*, a programme of seminars, workshops and research involving more than 250 individuals from the private and public sectors, as well as the general public, in its investigation of existing community-led housing and their outcomes. A final report was published by Future of London in December 2019. The report shows CLH’s “unique ability to deliver genuinely affordable homes on sites that don’t work for traditional developers”, as well as the immense social value of these projects.

The Trustees of Commonweal Housing wish to put on record again their thanks and gratitude to the Directors of Grove End Housing for their continued generous financial support for the charity.

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### **FINANCIAL REVIEW**

The Trustees consider the results as disclosed on the following pages to be satisfactory but are looking to expand the range of sources from which we secure income during the current year.

Core revenue funding for the Charity continues to come from our principal benefactor Grove End Housing Limited. In addition, Commonweal receives rental income on its residential property portfolio. I

In 2019 GEHL revenue funding accounted for 68% of income excluding a gain on disposal of tangible fixed assets (2018 67%); and rental income 31% (2018 31%).

As noted in our Achievements and Performance section above, in 2019 we successfully exited from our first 7-year social investment deal delivering both a positive financial return to our original investors in line with the agreement. In this case this amounted to the regular revenue yield throughout the term, return of original capital plus a share of the capital appreciation of the properties purchased under this deal. The investors realised a gain of £603,750<sup>1</sup> on their original investment in the 6 properties as shown out in the Statement of Financial Activities in the accounts. In addition, the investors were able to clearly see through the reports and information supplied by Commonweal the significant social impact their investment had helped to achieve. The realised gain to investors represented a 43.59% capital return on the original loan notes over the 7-year term.

Of the 6 properties originally purchased with this first social investment deal Commonweal has refinanced 5 of the houses to retain them for alternative charitable project purposes. This refinancing was partly via a new social investment deal with the Monday Charitable Trust and partly via the sale of two other houses owned by Commonweal to our original pilot project partner (Thames Reach). Thames Reach as part of that deal also purchased the 6<sup>th</sup> original social investment property from Commonweal which, together with the funds from the other two properties, provided the capital for Commonweal to redeem the original social investment loan notes.

This was a very positive outcome with Thames Reach continuing to use the properties for supportive shared housing as tested in the original pilot maintaining social impact and purpose.

#### **Public benefit statement**

The Board confirm that they have complied with the duty in the Charities Act 2011 to have due regard to public benefit guidance published by the Charity Commission. Further information regarding the Charity's activities, public benefit and impact are presented in its Annual Impact Review, which is available on its website. <http://www.commonwealhousing.org.uk/>.

#### **Risk management and principal risks and uncertainties**

The Trustees have assessed the major risks to which the Charity is exposed and are satisfied that systems are in place to mitigate exposure and consequences of key risks. The Trustees consider and review the core strategic and operational risks facing the charity at every quarterly Board meeting including the controls and mitigations in place to address or ameliorate these risks and note any new information from the Executive.

As at December 2019 the Board feel that there are 6 core corporate strategic risks that were, they to materialize would seriously call in to question the charity's effectiveness or ongoing role i.e. if we were getting these wrong, we would fundamentally not be delivering our charitable aims and objectives.

<sup>1</sup>Please see the Statement of Financial Activities - Page 16

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These are:

	<b>Core Strategic Risk Areas</b>	<b>Key Mitigations &amp; Controls</b>
A	<b>Failure to adequately understand the issues and project areas, identifying the right project partner and most effective evaluation.</b>	Detailed due diligence and early research. Use of Advisory Panel. Regular liaison with Trustees throughout development phase. Taking third party soundings. Membership of appropriate networks and interest groups.
B	<b>Failure to secure appropriate and meaningful replication for projects - failure to ensure learning has impact</b>	Commissioning leading expert evaluators, focus on replication from earliest communication with project partners. Increasing expertise and understanding of replicating role model solutions. Increased understanding of different forms of replication relevant for different projects including promotion of policy implications.
C	<b>Failure to maximise learning from evaluation contracts including original project size being too small and not providing critical mass</b>	Monitoring evaluation contracts. Having capturing learning at the heart of all engagements with project and evaluation partners. Close consideration of appropriate project size during initial detailed due diligence and research phase.
D	<b>Failure to adequately describe Commonweal succinctly and clearly thus missing opportunities to influence key decision makers or missing funding opportunities</b>	Key weaknesses identified at 2017 Away day - action plan in place to review and revise core messaging. Revised elevator pitch agreed and regularly used. Ongoing review and revision of website to maintain impact.
E	<b>Failure to adequately manage and oversee portfolio of projects - ensuring delivery by all parties of expected / required actions and activities. Key to Commonweal's message is our expertise and experience in delivering a range of projects. Failure to do so could incur significant reputational as well as possible financial costs.</b>	Enhancements and improvements planned for suite of legal/ partnership / contractual documentation as well as more proactive oversight of project partners. New Deputy CEO role enhances capacity to provide rigorous portfolio oversight
F	<b>Changing mandatory and local HMO licensing schemes that may adversely impact upon some shared housing models - notably Praxis - NRPF due to increased minimum room size requirements. Also, greater use of Article 4 Directives by some planning authorities presumption against loss of family housing to HMO use.</b>	Seeking to secure interim / existing licences to at least delay impacts of new schemes. Alternative options might also exist around partnerships with Registered Providers who are exempt from new regulations and / or seeking specific exemptions from relevant local authorities. Commonweal also highlighting issues as a policy campaign.

### Reserves Policy

It is the policy of the Charity to maintain a proportion of its reserves in a readily realisable form to ensure that its core activity could continue during a period of unforeseen difficulty. The Trustees consider readily realisable reserves to be the amount of reserves that are easily converted into cash without the need to dispose any of its properties.

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The Trustees assess the required level of reserves on an annual basis alongside its operating budget. This assessment takes into account the risks associated with each stream of income and expenditure varying from budget, its planned activity level, commitments to repay the loans secured on its properties and the need to keep sufficient bank balances to be able to manage the day-to-day fluctuations of receipts and payments. In 2018 The Trustees agreed a planned deficit budget for 2019 with a view that further planned deficit budgets may be approved in future years, where general reserves of the charity allow, ensuring the charitable funds held are being appropriately used this included consideration of potential further mission related investment expenditure. However, none took place in 2019.

In December 2019 the reserves policy was reviewed by the Trustees and based on its 2020 operating budget and cash flows, a readily available cash reserve figure of a minimum of £125k was agreed to be necessary. A further £25k is designated as a Project Fund which represents monies set aside to enable the charity to pay from the General Fund its quarterly yield payments under the terms of its second social investment project. £20k is designated for the final part of our multi-year revenue support grant we committed to Elmbridge Rentstart for the Freedom 2Work Project.

As at 31st December the Charity's total reserves stood at £5.3M (2018: £5.3M) as set out in detail in note 13. Of this total figure 89% (2018: 92%) is included in the Designated Property Fund, represented by the functional assets of the Charity, which can only be realised by disposing the Charity's freehold and long leasehold properties.

Commonweal Trustees regularly consider options available to it to utilise its general reserves to further the charity's aims and objective. This has in the past (and may do so again in the future where suitable schemes are identified) included undertaking direct mission related investment.

### **PLANS FOR FUTURE PERIODS**

Key priority over 2020 is to identify and commence a new property acquisition-based project. Depending upon the requirements of that project Commonweal are likely to be seeking new social investment funding. The successful exit in 2019 of our first social investment deal at the expiry of the 7-year term which delivered both financial and social value return to investors we hope further enhances our offer and attractiveness to investors.

### **STRUCTURE, GOVERNANCE AND MANAGEMENT**

The Charity is a charitable company limited by guarantee and a registered charity. It is governed by its Memorandum and Articles of Association (as amended). These provide for one third of the Trustees to retire at each Annual General Meeting. The minimum number as set out in the Memorandum and Articles of Association is three and the quorum is set at two Trustees.

The Board has set out a skills matrix identifying the core skills, knowledge and competencies felt to be necessary to provide suitable oversight, governance and guidance to the charity. The Trustees self-assess against those skills.

Looking ahead to planned Board departures as part of succession planning two new Trustees were recruited at the end of 2019. The Board continue to periodically review succession planning and Board membership depending upon the requirements of the charity and assessment against its skills matrix.

The Charity has in place a program for the induction and training of new Trustees.

The Board is the administrative and governing body and meets four times a year, ensuring and monitoring that the Charity is performing well, is solvent and complies with all its obligations.

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### **Organisational structure and decision-making**

The Board is responsible for the policy and strategy of the Charity, ensuring the long-term sustainability of the organisation along with its financial and legal probity.

The Chief Executive, Ashley Horsey, is responsible for implementing policies and strategies approved by the Board and for progressing organisational objectives and leading operational delivery by the staff team.

The Board has established a Remuneration Committee that meets not less than once per annum in the autumn as part of the budget preparation cycle. The Remuneration Committee recommends any changes to pay remuneration for staff to the Board for their December budget-setting meeting for the forthcoming year.

### **Trustees' Responsibilities for the Financial Statements**

The Trustees are responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the Trustees to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the charity and of its incoming resources and application of resources, including its net income and expenditure for the year.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Charity will continue in operation.

The Trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company and which enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### **Disclosure of Information to Auditors**

Each of the trustees has confirmed that there is no information of which they are aware which is relevant to the audit, but of which the auditor is unaware. They have further confirmed that they have taken appropriate steps to identify such relevant information and to establish that the auditors are aware of such information.

### **Auditors**

A resolution proposing the reappointment of, hay Macintyre will be put to the next Annual General Meeting.

ON BEHALF OF THE BOARD OF TRUSTEES

  
G S MEDAZQUMIAN FCA  
Secretary

09 March 2020

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE COMMONWEAL HOUSING LIMITED

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## **Opinion**

We have audited the financial statements of Commonweal Housing Limited for the year-ended 31 December 2019 which comprise the Statement of Financial Activities, the Balances Sheet, 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).

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an Auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

In our opinion, the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 December 2019 and of the charitable company's net movement in funds, including the income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## **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 charity 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.

## **Responsibilities of trustees for the financial statements**

As explained more fully in the trustees' responsibilities statement set out on page 13, the trustees (who are also the directors of the charitable company for the purposes of company law) 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 trustees 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 trustees are responsible for assessing the charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the charitable company or to cease operations, or have no realistic alternative but to do so.

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

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

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

## **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 trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or



INDEPENDENT AUDITORS' REPORT  
TO THE MEMBERS OF THE COMMONWEAL HOUSING LIMITED

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- the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the charitable company'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 trustees are responsible for the other information. The other information comprises the information included in the Trustees' Annual Report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**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 Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report included within the Trustees' Annual Report has 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 charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the Trustees' Annual Report (which incorporates 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 charitable company; or
- the charitable company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the trustees were not entitled to take advantage of the small companies' exemptions in preparing the trustees' report and from the requirement to prepare a strategic report.

Murtaza Jessa (Senior Statutory Auditor)  
For and on behalf of Haysmacintyre LLP, Statutory Auditors

10 Queen Street Place  
London  
EC4R 1AY



18th  
March 2020

# Commonweal Housing Limited

## STATEMENT OF FINANCIAL ACTIVITIES (including Income and Expenditure Account) For the year ended 31 December 2019

	Note	2019 £	2018 £
<b>Income and endowments from:</b>			
Donation and legacies	2	641,280	571,280
Charitable activity - rental income		296,863	269,735
Other income		783	13,888
Investment income		1,750	1,750
Gain on disposal of fixed assets		258,804	-
<b>Total</b>		<u>1,199,480</u>	<u>856,653</u>
<b>Expenditure on</b>			
Charitable activities	3	994,372	1,104,548
<b>Total</b>		<u>994,372</u>	<u>1,104,548</u>
<b>Net income/ (expenditure) before fair value adjustments</b>		205,108	(247,895)
Fair value adjustments			
- Realised on redemption of loan notes	7	(603,750)	-
- Add back: removal of unrealised gain on loans notes redeemed	12	555,000	-
- Unrealised on revaluation of loan notes at year-end	12	185,345	36,349
<b>Net income/(expenditure) for the year</b>		<u>341,703</u>	<u>(211,546)</u>
Unrealised loss on revaluation of fixed assets		(131,317)	(164,964)
<b>Net movement in funds</b>		<u>210,386</u>	<u>(376,510)</u>
<b>Funds brought forward</b>		5,043,795	5,420,305
<b>Funds carried forward</b>		<u><u>5,254,181</u></u>	<u><u>5,043,795</u></u>

The notes numbered 1 to 15 form part of these financial statements.

The statement of financial activities also complies with the requirements for an income and expenditure account under the Companies Act 2006.



# Commonweal Housing Limited

## BALANCE SHEET

As at 31 December 2019

	Notes	2019 £	2018 £
<b>Fixed assets</b>			
Tangible assets	6	9,766,202	8,648,705
Programme related investment	8	74,667	72,917
Other unlisted investment	9	1	1
		<u>9,840,870</u>	<u>8,721,623</u>
<b>Current assets</b>			
Fixed assets held for sale		-	2,125,000
Debtors – due within one year	10	136,018	99,728
– due after more than one year	10	-	100,000
Cash at bank and in hand		498,192	593,584
		<u>634,210</u>	<u>2,918,312</u>
<b>Current liabilities</b>			
Creditors: amounts falling due within one year	11	(174,847)	(243,713)
Loan notes	12	-	(1,940,000)
		<u>459,363</u>	<u>734,599</u>
<b>Net current assets</b>		<u>10,300,233</u>	<u>9,456,222</u>
<b>Total assets less current liabilities</b>			
<b>Creditors: amounts due more than one year</b>			
Loan notes - due after one year	12	(5,046,052)	(4,241,147)
Deferred income	13	-	(171,280)
		<u>5,254,181</u>	<u>5,043,795</u>
<b>Net assets</b>		<u>=====</u>	<u>=====</u>
<b>Income funds</b>			
Unrestricted funds:			
- Designated Property Fund	14	4,720,150	4,592,559
- Designated Project Fund		45,000	65,000
- Programme related Investment		74,667	-
- General Fund		414,364	386,236
		<u>5,254,181</u>	<u>5,043,795</u>
<b>Total funds</b>		<u>=====</u>	<u>=====</u>

The balance sheet continues on the following page where the approval and signature are shown.

The notes numbered 1 to 15 form part of these financial statements.

# Commonweal Housing Limited

## BALANCE SHEET

As at 31 December 2019

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The accounts were approved and authorised for by the Board of Trustees on  
and signed on their behalf by



S Douglas  
Chair of the Board of Trustees



A HORSEY  
Chief Executive



G S MEDAZOUMIAN  
Secretary

09 March 2020

# Commonweal Housing Limited

## CASH FLOW STATEMENT

For the year ended 31 December 2019

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	2019	2018
	£	£
<b>Net cash (used in)/provided by operating activities (A)</b>	<u>(146,410)</u>	<u>201,413</u>
<b>Cash flows from investing activities</b>		
Cash paid in respect of tangible fixed assets	(23,756)	0
Proceeds from disposal of tangible fixed assets	1,073,274	0
	<u>1,049,518</u>	<u>0</u>
<b>Cash flows from financing activities</b>		
New loan notes drawn down (note)	990,250	0
Loan notes repaid in the year	<u>(1,988,750)</u>	<u>0</u>
	<u>(998,500)</u>	<u>0</u>
(Decrease)/ increase in cash and cash equivalents in the year	(95,392)	201,413
Cash and cash equivalents at the start of the year	<u>593,584</u>	<u>392,171</u>
<b>Total cash and cash equivalents at the end of the year (B)</b>	<u>498,192</u>	<u>593,584</u>
<i>Analysis of cash and cash equivalents:</i>		
Bank balances	<u>498,192</u>	<u>593,584</u>

The notes numbered 1 to 15 form part of these financial statements.

# Commonweal Housing Limited

## CASH FLOW STATEMENT

For the year ended 31 December 2019

	2019	2018
	£	£
<b>(A) Reconciliation of net movement in funds to net cash (used in)/provided by operating activities</b>		
<b>Net movement in funds</b>	210,386	(376,510)
Deduct: investment income	(1,750)	(1,750)
Deduct: gain on disposal of tangible fixed assets	(258,804)	0
Add revaluation of fixed assets	131,317	164,965
Deduct: fair value adjustments	(136,595)	(36,349)
Add: depreciation	85,472	93,494
Decrease in debtors	63,710	479,369
Decrease in creditors (excluding loans)	(68,866)	(21,806)
Decrease in long term deferred income	(171,280)	(100,000)
<b>Net cash (used in)/provided by operating activities (a)</b>	<u>(146,410)</u>	<u>201,413</u>

### (B) Analysis of cash and cash equivalents:

Bank balances	498,192	593,584
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### (C) Analysis of net debt

	1 January 2019	Cash flows	Fair value movements	31 December 2019
Cash	593,584	-95,392	0	498,192
Loans	-6,181,147	998,500	136,595	-5,046,052
	<u>-5,587,563</u>	<u>903,108</u>	<u>136,595</u>	<u>-4,547,860</u>

	1 January 2018	Cash flows	Fair value movements	31 December 2018
Cash	392,171	201,413	0	593,584
Loan notes	-6,217,496		36,349	-6,181,147
	<u>-5,825,325</u>	<u>903,108</u>	<u>36,349</u>	<u>-5,587,563</u>

# Commonweal Housing Limited

## Accounting policies

For the year ended 31 December 2019

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### NOTE 1 – ACCOUNTING POLICIES

#### BASIS OF ACCOUNTING

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015) - (Charities SORP (FRS 102)), and with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102).

The charity meets the definition of a public benefit entity under FRS 102. Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy note(s).

#### ENTITY STATUS

Commonweal Housing Limited is a charitable company limited by guarantee and meet the definition of a public benefit entity as defined by FRS102. Further details of its company and charity registration are given on page 3.

#### GOING CONCERN

A going concern basis has been adopted in the preparation of the financial statements. Taking into account the reserves position of the charity and the anticipated future results the Trustees do not consider that the appropriateness of this basis is subject to any material uncertainty.

#### ESTIMATION UNCERTAINTY AND JUDGEMENTS

The directors consider the principal areas of estimation uncertainty and judgement to be the valuation of socially funded property and the valuation of the related loan notes.

#### INCOME

Income is recognised when the charity has entitlement to the funds, any performance conditions attached to the items of income have been met, it is probable that the income will be received and the amount can be measured reliably.

Properties transferred to the charity by way of gift are recognised at fair value at the date of transfer.

#### EXPENDITURE

All expenditure relates to charitable activities and includes direct costs, indirect support costs and governance costs. Governance costs, which are the statutory and organisational costs of operating the charity as a legal entity.

#### PENSION CONTRIBUTIONS

Contributions in respect of personal pension schemes are included in the statement of financial activities for the year in which they are payable to the scheme.

#### FIXED ASSETS AND DEPRECIATION

Assets with a useful economic life exceeding one year are initially recognised at costs where they are purchased or a fair value at the time of transfer in respect of assets where they are donated. The fair value of such assets is treated as a deemed cost.

Property assets acquired with finance provided by social investors are restated at their fair value at the balance sheet date a year after acquisition. The fair value is determined by the Trustees with reference to desktop valuation

# Commonweal Housing Limited

## Accounting policies

For the year ended 31 December 2019

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data together with professional valuations of certain properties and having regard to any actual transactions. Whilst this treatment is not obligatory under FRS102, the Trustees consider it necessary to present the financial position of charity when taken in conjunction with the treatment of loan notes outlined below.

Depreciation is provided on all tangible fixed assets, other than freehold land and assets acquired with finance provided by social investors at rates calculated to write off the cost, less estimated residual value, of each asset over its expected useful life, as follows: -

A) Freehold and long leasehold buildings held at deemed cost	- on a straight-line basis over 50 years
B) Socially funded freehold and leasehold buildings	- not depreciated
C) Computer and other equipment	- 20% per annum on a straight-line basis

Expenditure on refurbishment works and associated costs on making the charity's freehold and leasehold properties project ready is written-off as incurred.

### PROGRAMME RELATED INVESTMENTS

Programme related investments are stated at transaction value less any provision for impairment required. In accordance with the Charities SORP they are not restated at fair value.

### LOAN NOTES

Loan notes represent finance obtained from Social Investors. The Social Investors' return includes not only a market rate of interest but an additional final payment equal to an agreed percentage of the gain made on disposal of the related property. Accordingly, the Trustees consider the loan notes to be complex financial instruments which are valued at fair value at the balance sheet date with the fair value adjustment in each year treated as part of income and expenditure. The fair value adjustment applied to the loan notes is a function of the valuation of the property at the balance sheet date which is itself an estimate. The actual redemption values of the loan notes are likely to differ from the estimates recorded at the preceding balance sheet date and this will result in a further fair value adjustment in the year of redemption. The directors note that the in-year adjustment in 2019 was £53,750 out of a total redemption cost in the year of £1,988,750 which indicates that the approach taken to the estimation has operated with a reasonable level of accuracy.

### FUNDS

Restricted funds are to be used for specific purposes as laid down by the donor. Expenditure, which meets these criteria, is charged to the fund.

Unrestricted funds are donations and other income received or generated and are expendable at the discretion of the Trustees in furtherance of the charity's objectives.

Designated funds are unrestricted funds earmarked by the Trustees for particular purposes.

## 2. DONATIONS AND LEGACIES

	2019	2018
	£	£
<b>Donations</b>		
Grove End Housing	£641,280	571,280
	=====	=====

The donation from Grove End Housing includes £171,280 (2018: £171,280) of covenanted income.

# Commonweal Housing Limited

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2019

### 3. EXPENDITURE

	Staff costs £	Other costs £	2019 Total £
<b>Charitable Activities - 2019</b>			
Direct and support costs	304,917	679,839	984,756
Governance costs	-	9,616	9,616
	<u>304,917</u>	<u>689,455</u>	<u>994,372</u>
			2018
	Staff costs £	Other costs £	Total £
<b>Charitable Activities - 2018</b>			
Direct and support costs	282,637	812,135	1,094,772
Governance costs	-	9,776	9,776
	<u>282,637</u>	<u>821,911</u>	<u>1,104,548</u>

Direct and support costs represent the cost of provision of the core activities of the charity: delivering housing solutions and understanding housing needs including the associated support costs to deliver these activities. The £679,839 (2018: £812,135) under other costs above relates to the charities main core activities: a) Property and Property related project costs £433,237 (64%) [2018: £433,345 (53.35%)], b) Feasibility Studies and Grants to partners £73,500 (11%) [£68,100 (8.39%)], c) Learning and Sharing £80,162 (12%) [2018: £126,764 (15.61%)] and d) Office related operational costs £92,940(13%) [£183,926 (22.65%)].

Governance costs relate to the direct costs associated with the effective governance of the charity. These include audit fees £9,440 (2018: £9,600), Company Secretarial £26 (2018: £26) and Trustee Liability Insurance £150 (2018: £150).

Net income for the year is stated after charging depreciation of £85,472 (2018: £93,494).

### 4. STAFF COSTS AND EMOLUMENTS

	2019 £	2018 £
Wages and salaries	253,958	239,502
Pension contributions	28,326	27,498
Social security costs	22,633	15,637
	<u>304,197</u>	<u>282,637</u>

# Commonweal Housing Limited

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2019

4.	STAFF COSTS AND EMOLUMENTS (cont'd)	2019 No.	2018 No.
	<b>Particulars of employees:</b>		
	The average number of employees during the year, calculated on the basis of full-time equivalents, was as follows:		
	Chief Executive	1	1
	Project and Communications Staff	4	4
	Finance and Administrative staff (FTE:1; 2018: 1)	1	1
		6	6

One employee received remuneration (excluding employer pension contributions) in the range of £90,000-£100,000 during the year (2018: one in the range £80,000-£90,000). The Trustees consider that the Key Senior Management Personnel of the charity comprised the Chief Executive and the Deputy Chief Executive Officer (from 08 June 2019) whose total remuneration including all benefits was £139,170 (2018: FTE 1, £113,845).

### 5. PAYMENTS TO TRUSTEES AND CONNECTED PERSONS

No Trustee or person with a family or business connection with a Trustee received remuneration in the year directly or indirectly, or had any expenses reimbursed (2018: nil).

### 6. TANGIBLE FIXED ASSETS

	Land & Buildings £	Computer & other equipment £	Total £
<b>Cost or Valuation</b>			
At 1 January 2019	9,250,160	7,277	9,257,437
Additions	19,317	4,439	23,756
Transfers from held for sales	2,125,000	-	2,125,000
Disposals	(870,103)	(6,965)	(877,068)
Revaluation	(131,317)	-	(131,317)
At 31 December 2019	10,393,057	4,751	10,397,808
<b>Depreciation</b>			
At 1 January 2019	601,455	7,277	608,732
Charge for the year	84,584	888	85,472
Eliminated on disposal	(55,633)	(6,965)	(62,598)
At 31 December 2019	630,406	1,200	631,606
<b>Net book value</b>			
At 31 December 2019	9,762,651	3,551	9,766,202
At 31 December 2018	8,648,705	-	8,648,705

The net book value includes £1,993,503 in respect of long leasehold properties (2018: £2,039,133)



# Commonweal Housing Limited

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2019

The movement in fixed assets held for sale is shown below

	Land & Buildings £
At 1 January 2019	2,125,000
Sold in the year	-366,000
Transferred to tangible fixed assets	-1,759,000
At 31 December 2019	<u>0</u>

### 7. SOCIAL INVESTMENT FINANCING

The Social investment deal for the six Peer Landlord properties reached maturity in July 2019. This means, Commonweal had to repay Social investors the initial loan value of £1,385,000, plus 75% of any asset value uplift. Based upon the agreed Open Market Valuations carried out by Tuckerman Chartered Surveyors at the point of redemption of £2,190,000 for the 6 properties the total uplift was £603,750 and the total redemption sum, inclusive of the uplift was £1,988,750.

### 8. PROGRAMME RELATED INVESTMENT

In 2018 Commonweal provided in pursuance of its charitable objects loan funding of £70,000 on a 10-year interest bearing arrangement to Action Foundation a registered charity based in Newcastle Upon Tyne with a 2.5% fixed interest on outstanding balances. The balance shown relates to the outstanding loan and accrued interest receivable. The loan is secured on property.

### 9. UNLISTED INVESTMENT

The unlisted investment of £1 represents the charity's interest in the share capital of its wholly-owned subsidiary undertaking, Re-Unite Limited. The subsidiary is registered in England and Wales and has not traded since it was incorporated on 28 October 2009.

10.	DEBTORS AND PREPAYMENTS	2019	2018
		£	£
	<u>Amounts due within one year:</u>		
	Prepayments and accrued income	36,018	99,728
	Deed of Covenant (note 13)	100,000	-
	<u>Amounts due after more than one year</u>		
	Deed of Covenant (note 13)	-	100,000
		<u>136,018</u>	<u>199,728</u>
11.	CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	2019	2018
		£	£
	Other creditors	97	10,607
	Social security costs	7,964	6,701
	Accruals and deferred income (see note 13)	166,786	226,406
		<u>174,847</u>	<u>243,714</u>

# Commonweal Housing Limited

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2019

### 12. LOAN NOTES

In 2013 the charity issued fixed rate loan notes to the value of £1,385,000 maturing in 2019 secured on six properties purchased with this funding, with full drawdown in 2014. A further tranche of loan notes to support our No Recourse to Public Funds (NRPF) project maturing in 2022 was obtained starting in 2015 with full draw down completed in 2016 totalling £2,238,576. In 2018, a third tranche of loan notes for the value of £1,945,000 was obtained to purchase four properties to support our young adult carers project - Move on Up - being delivered by Quaker Social Action. This project matures in 2023. In 2019 a fourth tranche of loan notes for the value of £990,250 was obtained from the Monday Charitable Trust. The loan is used to refinance part of the first Peer Landlord property portfolio, the loan notes for which matured in July 2019. The Monday Charitable Trust funding enabled Commonweal to retain three of the six socially funded properties and continue using the houses for social purposes. The Loan notes from the Monday Charitable Trust matures in 2026.

The above loan notes bear an interest rate of 4.32% fixed for the Peer Landlord and NRPF projects and 3.75% CPI linked for the Move on Up QSA project, which the Trustees consider to be a market rate and 3.75% fixed rate for the Monday Charitable Trust.

In addition, final payments were made for the loan note values, which matured in 2019. The fair value adjustments and cumulative movements on the loan notes are illustrated below

	2019 £	2018 £
<b>Loan notes at transaction value</b>		
At the beginning of the year	5,568,576	5,568,576
Loan notes repaid in the year (note 7)	(1,385,000)	-
New loan notes in the year	990,250	-
At the end of the year	<u>5,173,826</u>	<u>5,568,576</u>
<b>Fair value adjustments</b>		
At the beginning of the year	612,571	648,920
Loan notes redeemed in the year	(555,000)	-
Revaluation at the year end	(185,345)	(36,349)
At the end of the year	<u>(127,774)</u>	<u>612,571</u>
<b>Loan notes at fair value</b>	<u>5,046,052</u>	<u>6,181,147</u>
<b>Due within one year</b>	-	1,940,000
<b>-Due after one year</b>	<u>5,046,052</u>	<u>4,241,147</u>
	<u>5,046,052</u>	<u>6,181,147</u>

# Commonweal Housing Limited

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2019

### 13. DEFERRED INCOME

At 31 December 2019, the charity had deferred income in respect of one Deed of Covenants (2018: two) entered into by Grove End Housing in favour of the charity for the total sum of £700,000 payable in seven equal annual instalments of £100,000 from 2 October 2014. The Deeds of Covenant due within one year of £100,000 deferred income is included within the accruals and deferred income shown in note 11 above.

### 14. UNRESTRICTED FUNDS

	Balance at 1 January 2019 £	Income £	Expenditure / Losses £	Transfer between funds £	Balance at 31 December 2019 £
<b>Designated Funds:</b>					
Property Fund	4,592,559	136,595	(216,789)	207,785	4,720,150
<b>Project funds</b>					
Yield payments	25,000	-	(25,000)	25,000	25,000
Elmbridge Rentstart	40,000	-	-	(20,000)	20,000
Programme related					
Investment	-	-	-	74,667	74,667
<b>General Fund</b>	<u>386,236</u>	<u>1,199,480</u>	<u>(883,900)</u>	<u>(287,452)</u>	<u>414,364</u>
	<u>5,043,795</u>	<u>1,336,075</u>	<u>(1,125,689)</u>	=	<u>5,254,181</u>

The Property Fund represents the total amount (at cost less depreciation) invested in donated freehold and long leasehold land and buildings used for the functional purposes of the charity.

The Project Fund represents monies set aside to enable the charity to pay its quarterly yield payments under the terms of its second social investment project. It also includes provision for future funding commitments made by the charity to support the Elmbridge Rentstart Freedom2Work project. Commonweal has agreed to provide revenue support to this project for 5 years starting in 2016 ending in 2020. The Programme related investment is the money Commonweal advanced as a loan to Action Foundation a charity based in Newcastle Upon Tyne to pursue its charitable objects on a 10-year interest bearing arrangement. The loan is secured on a property (see note 8).

The General Fund represents undesignated monies retained to provide the working capital to enable the charity to carry out its activities as a provider of housing solutions to social injustice

### 15. RELATED PARTIES

One of the Trustees of the charity Gary Medazoumian, is member of Grove End Housing Limited (GEHL), a Registered Society registered under the Co-operative and Community Benefit Societies Act 2014.

# Commonweal Housing Limited

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2019

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Due to the nature of the charity's operations, transactions have taken place with GEHL at arm's length on normal trading terms which, under Financial Reporting Standard Number 8, require disclosure in the charity's accounts.

The following related party transaction occurred between the charity and GEHL during the year:

- (a) GEHL donated the sum of £641,280 (2018: £571,280) to the charity to fund its charitable activities.

At 31 December 2019, there was an amount due from GEHL to Commonweal £100,000 (2018: £271,280).

**The following pages do not form part of the statutory financial statements and are for the information of the Trustees only.**

# Commonweal Housing Limited

## DETAILED STATEMENT OF FINANCIAL ACTIVITIES

For the year ended 31 December 2019

<b>INCOME</b>	2019	2018
<b>Voluntary income</b>	£	£
GEHL - Gift Aid	470,000	400,000
GEHL - Deed of Covenants	171,280	171,280
Other income	261,337	15,638
	<u>902,617</u>	<u>586,918</u>
<b>Rental income</b>		
Re-Unite South London Project	-	1,282
Amari & Rhea Projects	106,792	93,345
Peer Landlord Projects/TR and Depaul	52,844	67,229
PRAXS NRPF	61,924	63,929
QSA Move on Up Project	35,268	32,933
Private rented sector/Daboraconway	40,035	11,017
	<u>296,863</u>	<u>269,735</u>
	<u>1,199,480</u>	<u>856,653</u>
<b>Total income</b>		
<b>EXPENDITURE</b>		
<b>Project Expenditure</b>		
Property costs (Inc. refurbishment costs on handover)	104,868	188,209
Feasibility cost and grants to partners	53,500	21,600
Depreciation and Amortisation of leases	85,472	93,668
Project Revenue support	20,000	46,500
Evaluators	54,244	94,213
Dissemination and publication	(3,616)	6,736
Legal and professional	3,925	-
Yield on secure loan notes	213,675	215,136
PODS (Starter for Ten design competition)	<u>29,534</u>	<u>25,815</u>
	<u>561,602</u>	<u>691,877</u>
<b>Chief Executive's Office</b>		
CEO and staff salary	253,957	239,502
Pension contributions	28,326	27,498
Social security costs	22,633	15,637
Recruitment costs	8,929	13,360
Travel and conferences	3,821	6,285
Freelance/Retainer Fee	30,000	30,000
Serviced office accommodation (Inc. telecoms)	44,093	34,346
IT Support and maintenance	7,431	10,586
Printing, Postage and Stationery	2,219	2,241

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For the year ended 31 December 2019

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	2019	2018
	£	£
Insurance	891	891
Subscriptions, magazines etc	4,186	3,885
Miscellaneous	662	934
	<u>407,148</u>	<u>385,165</u>
<b>Support and Administration</b>		
Consultancy and professional fees	4,160	-
Accounting and Payroll software	2,606	2,807
Web Design and consultancy (incl. Annual review & publicity material)	9,241	14,923
	<u>16,007</u>	<u>17,730</u>
<b>Governance</b>		
Audit fee	9,440	9,600
Company secretarial	26	26
Trustee Liability Insurance	150	150
	<u>9,616</u>	<u>9,776</u>
<b>Total expenditure</b>	<u>994,372</u>	<u>1,104,548</u>
<b>Net surplus/ (expenditure) before fair value adjustments and revaluations</b>	<u>205,108</u>	<u>(247,896)</u>