

Charity No. 1113331  
Company No. 5319765

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

**REPORT AND FINANCIAL STATEMENTS**

For the year ended 31 December 2016

# Commonweal Housing Limited

## REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2016

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# Commonweal Housing Limited

## REPORT OF THE TRUSTEES

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For the year ended 31 December 2016

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### **REFERENCE AND ADMINISTRATIVE DETAILS**

Company registration number:	5319765
Charity registration number:	1113331
Principal address:	Unit 311, The Blackfriars Foundry 156 Blackfriars Road London SE1 8EN
Registered office:	2 Babmaes Street London SW1Y 6HD
Directors and Trustees:	Fiona Mactaggart MP (Chair) Steve Douglas Sir John Mactaggart Bt. (resigned w.e.f. 24 <sup>th</sup> December 2016) Gary Medazoumian FCA Robert Nadler (resigned w.e.f. 5 <sup>th</sup> December 2016) Laurence Newman Jane Slowey CBE Jack Mactaggart (appointed w.e.f. 13 <sup>th</sup> June 2016)
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 26 Red Lion Square London WC1R 4AG

# Commonweal Housing Limited

## REPORT OF THE TRUSTEES

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For the year ended 31 December 2016

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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 2016.

Commonweal Housing is a housing based *Action Learning* charity. We have a *track record of working collaboratively* with expert service delivery partners enabling and facilitating them to develop, establish and pilot new and innovative housing based solutions for those that have experienced different forms of social injustice.

We aim to *capture the learning from our pilot projects* and to help our project partners to disseminate *the lessons learnt* to encourage and *facilitate replication of successful models* maximising the impact and beneficiaries. We maintain a *focus on the quality of the learning* we distil as well as the innovation and new solutions we hope to deliver.

We aim to maximise the benefits and to record the impact our work has in three key areas – Impact upon:

- *People* – the beneficiaries and clients assisted by the projects we support
- *Partners* – the positive impact of providing service delivery partners the opportunity to develop and test new models and new services
- *Policy* – the key aim through capturing and sharing the learning from the pilot projects we support is to help secure policy and operational change making sure lessons learned shape future delivery maximising impact for others

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

### **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 these objects by providing via a lease bespoke and appropriate housing to specialist front line service delivery partners enabling them to test new models or service and support to various client groups in pilot projects. Commonweal supports our partners to capture the learning from pilot projects and to share that learning with others. The objective is captured in the charity's strap line, which was once again reaffirmed by Trustees in 2016, Commonweal seeks to identify and deliver *housing solutions to social injustice*

This strap line has been backed up by our renewed vision agreed in 2016 of:

*Helping partnerships through housing;  
Achieving leadership through learning;  
Delivering real change through collaboration and  
Tackling injustice through innovation*

### **ACHIEVEMENTS AND PERFORMANCE**

2016 marked the 10<sup>th</sup> Anniversary of the charity, a milestone celebrated with a well-attended summer reception for those who have engaged with Commonweal in many different ways over the years including project partners, investors, funders, beneficiaries, friends and colleagues. The summer reception was used to launch our 2015/16 Annual Impact Review as well as to announce the winner of a competition run by Commonweal for our 10<sup>th</sup>



# Commonweal Housing Limited

## REPORT OF THE TRUSTEES

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For the year ended 31 December 2016

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Anniversary called Starter for 10. This provided £10,000 of grant funding to the winner to commission an early stage study in to a new or emerging social injustice where potentially housing might be part of the longer term solution. This growing recognition of the benefit of small scale early stage research support from Commonweal is a feature of how we are diversifying delivery of its charitable activities. The key activities and projects are set out below: -

- *Re-Unite* – our flagship project delivering a successful housing and support programme that meets the needs of mothers who would be homeless upon leaving prison, enabling them to be reunited with their children and supporting the household to live positive lives. Running from 2007 we started winding down our direct involvement in 2016 with the first of the initial pilot project properties being returned to us from Housing for Women. The remaining properties will be handed back in 2017. In 2016 we provided a further grant to Women's Breakout to ensure the legacy of the Re-Unite programme and ensure this is embedded within future plans for women's centres and addressing the needs of women in the criminal justice system and crucially the impact of maternal imprisonment on the children. Commonweal is actively reviewing the impact of this ten-year project and the intervention and will be publishing a review in 2017.
- *The Amari Project* – a new project established in 2016 with Solace Women's Aid as next stage development using the ethos and learning from our previous Chrysalis Project. This continues to provide transitional accommodation for women escaping sexual exploitation including but not exclusively former street based prostitutes. The new project continues to support their successful move-on from hostel accommodation. Commonweal is supporting independent evaluation of this project,
- *The Peer Landlord Project* - a supportive shared housing model providing a framework for peer mentoring and support between clients. Working initially with two different client groups – single homeless people and also with younger people 16-25 year olds who have experienced periods of homelessness or unstable accommodation. The project aims to provide clients with the skills, confidence and experience to find and maintain tenancies in the real world of rooms in private sector shared housing. In 2016 we published the independent evaluation undertaken by the University of York. This was the stepping off point for the development of the model in a phase 2 pilot; learning the lessons and refining an eventual model capable of wider replication. The Trustees are extremely grateful to the Esmée Fairbairn Foundation and Trust for London for their generous grant funding to support the recruitment of a specialist Project Development Manager to take forward the Peer Landlord Project. Commonweal is in discussions with others seeking to replicate the model elsewhere for particular client groups – especially meeting the housing needs of those young people leaving the care system. We hope this will progress further in 2017.
- *No Recourse to Public Funds* – In 2016 we completed the property acquisitions delivering the last of the 7 homes to our partners, Praxis Community Projects. This vital new project is aimed at meeting the accommodation and support needs of those facing destitution with no recourse to public funds within the asylum system as well as to families with children who would otherwise be homeless. By the end of 2016 60 people had been housed by the project.
- *Freedom2Work: Buying the Future* – this exciting new project, delivered by Elmbridge Rentstart in Surrey, commenced in quarter 1 of 2016. Commonweal is providing 5-year revenue support enabling them Elmbridge Rentstart to better use their existing PRS portfolio managed on behalf of local charities and private landlords. The project is aimed at easing the transition from benefits to employment in high cost private rented sector.
- *Feasibility Studies – Starter for 10* – this 10<sup>th</sup> Anniversary competition attracted a fantastic range of entries from charities, academic institutions and housing organisations identifying new or under researched areas of possible social injustice where it was felt that housing may be part of the solution; but where more information as required to fully understand the issue.  
The winning entry as selected by Commonweal Trustees supported by our expert advisory panel was from



# Commonweal Housing Limited

## REPORT OF THE TRUSTEES

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For the year ended 31 December 2016

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Thames Reach looking to learn more about the phenomenon of tent encampments of mainly east European economic migrants, frequently working the cash in hand black market economy that are springing up on public land, blighting areas of outer London. This fascinating research is looking at the drivers as well as possible options and alternatives – seeking to avoid the use of such unsafe, unsanitary, unhealthy living conditions as well as addressing the blight and impact upon local communities. This research will be published in 2017.

- *Couples First* – Commonweal has also provided funding to Brighton Women's Centre in 2016. This has enabled them to commission specialist research in to the injustices and barriers faced by rough sleeping couples across Sussex and the south coast. There was a view that current services were poorly equipped to deal with the needs of couples which runs the risk of entrenching such partnerships on the streets or breaking them up.
- *Stonewall Housing* – the research report part funded by Commonweal studying the housing needs of older LGBT people – Building Safe Choices – was published in 2016, receiving widespread coverage.
- *Non-project stock* – In 2016 Commonweal continued with its policy of temporarily renting out surplus non-project properties where they may be needed for future projects and where there is no immediate need or benefit in disposal. This is in accordance with our investment strategy approved by Trustees in 2015. In 2016 Commonweal had one flat let in the private rented sector and two on a short term lease arrangement with Thames Reach. We continue to keep our property portfolio under close review
- *Learning Partnership* – as an action learning charity we are as determined to ensure that the organisation itself continually reflects and learns on how projects are delivered and develop so as to maximise our impact; amending our own actions and processes as required going forward. To support the charity in this aim throughout 2016 we have worked closely with colleagues from IVAR (the Institute for Voluntary Action Research). They have assisted us in reviewing key elements of the work we do helping us to review and learn lessons to improve our delivery of such aspects as replication, commissioning and maximising the benefits of external evaluations and engagement with social investors. At the end of 2016 Trustees agreed to renew our relationship with IVAR for a further year.

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. Specifically, Trustees acknowledge the ongoing support of GEHL via recent Deeds of Covenant providing medium term certainty on future funding to the charity. Such support continues to be vital in enabling the delivery of Commonweal's future business plans and in securing further capital and investment funding.

The Trustees also gratefully acknowledge the generous support received in 2016 from those that sponsored our 10<sup>th</sup> Anniversary celebration reception Grove End Housing, Bircham Dyson Bell, haysmacintyre, Pasha & Philip Michaelsen and CSMN property consultancy.

### **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. Additional revenue income is received from social investors who contribute towards the refurbishment costs and acquisition fees for the purchase of new project properties.



# Commonweal Housing Limited

## REPORT OF THE TRUSTEES

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For the year ended 31 December 2016

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In 2016 GEHL revenue funding accounted for 70% of cash income (2015 73.4%); rental income grew to 22.0% due to the increased property portfolio in 2016 (2015 19.6%).

### 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 receive updates to key risks at each Board meeting.

In 2016 Trustees reviewed and reaffirmed the charity's four 'mission critical' risk areas. In general, these 'mission critical' risk areas are around not achieving or maximising impact through replication of lessons learnt from pilot projects. In other words, failing to achieve the second part of Commonweal's ambitions of sharing knowledge arising from pilot projects to influence and shape replication and enable others to assist more people facing social injustice.

To help minimise these risks the Board has approved a new Strategic Plan and a specific engagement strategy both of which focus on actions required to ensure, as Trustees succinctly noted at their Autumn 2016 Strategic Away day "...that we ensure something happens as a result of our learning and our pilot projects."

The wider risk matrix regularly reviewed by Trustees covers other specific operation, financial and reputational risks relating to the delivery of the pilot projects.

The core strategic risks are set out below:

Core Strategic Risk Areas	Controls and Mitigation
Failure to adequately understand the issues and project areas and most effective evaluation.	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.
Failure to secure replication for projects	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.
Failure to maximise learning from evaluation contracts including original project size being too small and not providing critical mass	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.

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## REPORT OF THE TRUSTEES

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For the year ended 31 December 2016

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Dilution of delivery upon replication

Detailed and robust replication agreements, use of £20K seed corn grant funding to increase leverage for Commonweal in monitoring and requiring performance. Production of viable project replication manuals and capturing of learning from pilot projects.
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### 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.

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 December 2016 the reserves policy was reviewed by the Trustees and based on its 2017 operating budget and cash flows, a readily available reserve figure of a minimum of £100K 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 its quarterly yield payments under the terms of its second social investment project.

As at 31st December the Charity's total reserves stood at £5.6M (2015: £5.4M) as set out in detail in note 13. Of this total figure 89.1% (2015: 91.67%) 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 is seeking to utilise a proportion of its £476K general reserves for undertaking direct mission related investment and aim to consider suitable opportunities and proposals during 2017.

### PLANS FOR FUTURE PERIODS

Commonweal has managed to pull together over the course of 2016 a new grouping of social investors between them bringing £2.3M of new funding to support our *young adult carers project - Move On Up - being delivered by Quaker Social Action*. Commonweal will be completing the investment and project documentation in early 2017. The aim is to complete property acquisitions as quickly as possible with the aim of having clients housed by the summer.

As noted above £80K of general reserves will be deployed in 2017 as Commonweal's first direct mission related social investment opportunity to a registered charity, Action Foundation based in Newcastle upon Tyne. This will be used to support the acquisition by them of a property to be used to provide accommodation for new refugees and those caught with no recourse to public funds (NRPF) within the asylum system. Action Foundation will be engaging with the Commonweal appointed evaluators for our current Praxis NRPF project which closely mirrors the cross subsidy model being used by them in the northeast.



# Commonweal Housing Limited

## REPORT OF THE TRUSTEES

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For the year ended 31 December 2016

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### **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.

Over the course of 2016 two Trustees resigned; Sir John Mactaggart the original founder and first Chair of the Charity stepped down towards the end of December 2016. The Board intend in 2017 to confer the role of Honorary President of the charity upon Sir John. This purely titular role, with no formal part in the Governance structure of the charity, marks his significant, indeed fundamental, contribution to the work and existence of Commonweal.

Robert Nadler after two spells as a Trustee initially in the early years of its existence and then a further period of 6 years from 2010, also stepped down formally after the Board's December meeting.

The Chair and the rest of the Board of Trustees wish formally to put on record their great thanks to both Sir John and Robert for their time, active input and tremendous support for Commonweal over very many years. Both will be greatly missed.

One new Trustee joined the Board during 2016. Jack Mactaggart brings diversity to the Board, by way of age, as well as real estate knowledge, partly filling some of the skills gap from Sir John and Robert's departure.

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.

The Board are seeking to recruit at least one new Trustee in 2017 and are considering such appointment along with any possible future decisions to expand the number of Trustees against this 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 five times a year, ensuring and monitoring that the Charity is performing well, is solvent and complies with all its obligations.

# Commonweal Housing Limited

## REPORT OF THE TRUSTEES

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For the year ended 31 December 2016

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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.

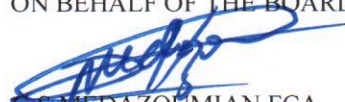
### **Disclosure of Information to Auditors**

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, haysmacintyre will be put to the next Annual General Meeting.

ON BEHALF OF THE BOARD OF TRUSTEES

  
G S MEDAZOUMIAN FCA  
Secretary  
13 March 2017



# INDEPENDENT AUDITORS' REPORT

## TO THE MEMBERS OF COMMONWEAL HOUSING LIMITED

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We have audited the financial statements of Commonweal Housing Ltd for the year ended 31 December 2016 which comprise the Statement of Financial Activities, the Balance Sheet and the related notes. 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 Auditors' 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 its members, as a body, for our audit work, for this report, or for the opinion we have formed.

### **Respective responsibilities of trustees and auditor**

As explained more fully in the Trustees' Responsibilities Statement set out on page 10, 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

We have been appointed auditor under the Companies Act 2006. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 December 2016 and of its net movement in funds, 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 prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion 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 Trustees' Annual Report has been prepared in accordance with applicable legal requirements.

In the light of our 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).

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

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

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of 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' exemption in preparing the Trustees' Annual Report incorporating the Strategic Report.



Mustafa Jessa

Senior statutory auditor

for and on behalf of haysmacintyre, Statutory Auditor

13 March 2017

26 Red Lion Square  
London  
WC1R 4AG

# Commonweal Housing Limited

## STATEMENT OF FINANCIAL ACTIVITIES (including Income and Expenditure Account)

For the year ended 31 December 2016

	Note	2016 £	2015 £
<b>Income and endowments from:</b>			
Donation and legacies	2	642,703	623,474
Donated assets	3		172,500
Charitable activity - rental income		195,085	166,494
Other income – investors refurbishment contribution		49,487	59,430
<b>Total</b>		<u>887,275</u>	<u>1,021,898</u>
<b>Expenditure on</b>			
Charitable activities	4	824,612	805,711
<b>Total</b>		<u>824,612</u>	<u>805,711</u>
<b>Net income before fair value adjustments</b>		62,663	216,187
Fair value adjustments	11	(309,800)	(77,678)
Net income/(expenditure)		<u>(247,137)</u>	<u>138,509</u>
Gains on revaluation of fixed assets	7	449,857	121,959
<b>Net movement in funds</b>		202,720	260,468
<b>Funds brought forward</b>		5,403,370	5,142,902
<b>Funds carried forward</b>		<u>5,606,090</u>	<u>5,403,370</u>

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 2016

	Notes	2016 £	2015 £
<b>Fixed assets</b>			
Tangible assets	7	9,157,695	8,407,605
Unlisted investment	8	1	1
		<u>9,157,696</u>	<u>8,407,606</u>
<b>Current assets</b>			
Debtors – due within one year	9	343,963	328,084
– due after more than one year	9	442,560	613,840
Cash at bank and in hand		529,697	324,799
		<u>1,316,220</u>	<u>1,266,723</u>
<b>Current liabilities</b>			
Creditors: amounts falling due within one year	10	(201,830)	(899,559)
		<u>1,114,390</u>	<u>367,164</u>
<b>Net current assets</b>		<u>10,272,086</u>	<u>8,774,770</u>
<b>Total assets less current liabilities</b>			
<b>Creditors: amounts due more than one year</b>			
Loan Notes	11	(4,223,436)	(2,757,560)
Deferred income	12	(442,560)	(613,840)
		<u>5,606,090</u>	<u>5,403,370</u>
<b>Net assets</b>			
<b>Income funds</b>			
Unrestricted funds:	13		
- Designated Property Fund		4,934,259	4,953,355
- Designated project fund		135,000	25,000
- General Fund		536,831	425,015
		<u>5,606,090</u>	<u>5,403,370</u>
<b>Total funds</b>			

The accounts were approved and authorised for by the Board of Trustees on 13 March 2017 and signed on their behalf by

  
F MACTAGGART MP  
Chair of the Board of Trustees

  
G S MEDAZOUMIAN  
Secretary

  
A HORSEY  
Chief Executive

# Commonweal Housing Limited

## CASH FLOW STATEMENT

For the year ended 31 December 2016

	2016 £	2015 £
<b>Net movement in funds</b>	202,720	260,468
Deduct: revaluation of fixed assets	(449,857)	(121,959)
Deduct: donated assets	-	(172,500)
Add: fair value adjustment	309,800	77,678
Add: depreciation	98,810	148,946
Decrease/(increase) in debtors	155,401	274,963
Increase(decrease) in creditors (excluding loans)	(697,729)	15,188
(Decrease) increase in long term deferred income	(171,280)	(171,580)
<b>Net cash provided by operating activities</b>	<u>(552,135)</u>	<u>311,204</u>
<b>Cash flows from investing activities</b>		
Cash paid in respect of tangible fixed assets	(399,043)	(1,179,150)
	<u>(399,043)</u>	<u>(1,179,150)</u>
<b>Cash flows from financing activities</b>		
New loan notes drawn down	<u>1,156,076</u>	<u>1,082,501</u>
Increase in cash and cash equivalents in the year	204,898	214,555
Cash and cash equivalents at the start of the year	<u>324,799</u>	<u>110,244</u>
<b>Total cash and cash equivalents at the end of the year</b>	<u><u>529,697</u></u>	<u><u>324,799</u></u>
<i>Analysis of cash and cash equivalents:</i>		
Bank balances	<u><u>529,697</u></u>	<u><u>324,799</u></u>

The notes numbered 1 to 14 form part of these financial statements.



# Commonweal Housing Limited

## PRINCIPAL ACCOUNTING POLICIES AND KEYS SOURCES OF ESTIMATION UNCERTAINTY

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### 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).

In preparing the financial statements, the Trustees have considered whether in applying the accounting policies required by FRS102 and the Charities SORP the restatement of comparative items was required. As the date of transition, it was necessary under FRS 102 to restate the amounts owed under loan notes at fair value. In addition, the Trustees have elected to revalue the properties financed by the loans notes on an ongoing basis. The reconciliations below are provided in accordance with the requirements of FRS102.

### 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.

### 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. The fair value is determined by the Trustees with reference to desktop valuation data. Whilst this treatment is not obligatory under FRS102 FRS 102, the Trustees consider it necessary fairly 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, at rates calculated to write off the cost, less estimated residual value, of each asset over its expected useful life, as follows: -

# Commonweal Housing Limited

## PRINCIPAL ACCOUNTING POLICIES AND KEYS SOURCES OF ESTIMATION UNCERTAINTY

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Freehold and long leasehold properties	- on a straight-line basis over 50 years
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.

### LOAN NOTES

Loan notes represent finance obtained from Social Investors. The Social Investors' return include 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.

### 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.

### LEASED ASSETS

Rentals payable under operating leases are charged against income on a straight-line basis over the period of the lease.



# Commonweal Housing Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2016

### 2. DONATIONS AND LEGACIES

	2016 £	2015 £
<b>Donations</b>		
Grove End Housing	621,280	621,280
Other charitable donations	21,423	2,194
	<u>642,703</u>	<u>623,474</u>

The donation from Grove End Housing includes £171,280 (2015: £171,280) of covenanted income. Other charitable donations in 2016 included support from Esmée Fairbairn Foundation and Trust for London towards the Peer Landlord project. Commonweal are also grateful to those friends and partner organisations who generously donated towards the cost of our 10th Anniversary celebrations including GEHL, haysmacintyre, Bircham Dyson Bell, Pasha and Philip Michaelson and CSMN Property Consultancy.

### 3. DONATED ASSETS

Donated assets comprised the transfer of one property in 2015 (2016: nil), by way of gift, from Grove End Housing.

### 4. EXPENDITURE

	Staff costs £	Other costs £	Total 2016 £	Total 2015 £
<b>Charitable Activities</b>				
Direct and support costs	209,854	606,755	816,609	799,817
Governance costs	-	8,003	8,003	5,894
	<u>209,854</u>	<u>614,758</u>	<u>824,612</u>	<u>805,711</u>

Direct and support costs represent the cost of provision of the core activities of the charity of delivering housing solutions and understanding housing needs including the associated support costs to deliver these activities.

Governance costs relate to the direct costs associated with the effective governance of the charity. These include audit fees £7,192 (2015: £5,20), Company Secretarial £23 (2015: £26) and Trustee Liability Insurance £789 (2015: £668).

Net income for the year is stated after charging depreciation of £98,810 (2015: £148,946).

### 5. STAFF COSTS AND EMOLUMENTS

	2016 £	2015 £
Wages and salaries	180,038	160,186
Pension contributions	14,915	14,406
Social security costs	14,901	17,690
	<u>209,854</u>	<u>192,282</u>

# Commonweal Housing Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2016

### 5. STAFF COSTS AND EMOLUMENTS (cont'd)

#### Particulars of employees:

The average number of employees during the year, calculated on the basis of full-time equivalents, was as follows:

	2016 No.	2015 No.
Chief Executive	1	1
Replication/Comms Officer	3	2
Administrative staff	1	1
	<u>5</u>	<u>4</u>

One employee received remuneration (excluding employer pension contributions) in the range £80,000-£90,000 during the year (2015: one in the range £80,000-£90,000). The Trustees consider that the Key Senior Management Personnel of the charity comprised the Chief Executive only whose total remuneration including all benefits was £102,950 (2015: £95,301).

### 6. 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 (2015: nil).

### 7. TANGIBLE FIXED ASSETS

	Land & Buildings £	Computer & other equipment £	Total £
<b>Cost</b>			
At 1 January 2016	8,723,259	7,277	8,730,536
Additions	399,043	-	399,043
Revaluation	449,857	-	449,857
At 31 December 2016	<u>9,572,159</u>	<u>7,277</u>	<u>9,579,436</u>
<b>Depreciation</b>			
At 1 January 2016	315,654	7,277	322,931
Charge for the year	98,810	-	98,810
At 31 December 2016	<u>414,464</u>	<u>7,277</u>	<u>421,741</u>
<b>Net book value</b>			
At 31 December 2016	<u>9,157,695</u>	<u>-</u>	<u>9,157,695</u>
At 31 December 2015	<u>8,407,605</u>	<u>-</u>	<u>8,407,605</u>

The net book value includes £2,130,392 in respect of long leasehold properties (2015: £2,051,881)



# Commonweal Housing Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2016

### 8. UNLISTED INVESTMENT

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

9. DEBTORS AND PREPAYMENTS	2016 £	2015 £
<u>Amounts due within one year:</u>		
Amount due from Grove End Housing	112,500	112,500
Prepayments and accrued income	60,183	44,304
Deed of Covenant (note 12)	171,280	171,280
Total due within one year	343,963	328,084
<u>Amounts due after more than one year</u>		
Deed of Covenant (note 12)	442,560	613,840
	786,523	941,924
10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	2016 £	2015 £
Other creditors	15,982	20,003
Social security costs	4,288	5,230
Accruals and deferred income (see note 12)	181,560	874,326
	201,830	899,559
11. 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. As at 31 December 2016 £2,238,576 had been drawn down against these loan notes (2015: £1,082,500).

The above loan notes bear an interest rate of 4.32% which the Trustees consider to be a market rate. In addition, final payments are due which are contingent on the gain made on the disposal of property which require a fair a value adjustment to be made. The cumulative movements on the loan notes are illustrated in the table on the following page

# Commonweal Housing Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2016

### 11 LOAN NOTES (continued)

	2016 £	2015 £
<b>Loan notes at transaction value</b>		
At the beginning of the year	2,467,500	1,385,000
New loan notes drawn down in the year	1,156,076	1,082,500
At the end of the year	3,623,576	2,467,500
<b>Fair value adjustments</b>		
At the beginning of the year	290,060	212,382
Arising in the year	309,800	77,678
At the end of the year	599,860	290,060
<b>Loan notes at fair value</b>	4,223,436	2,757,560

### 12. DEFERRED INCOME

At 31 December 2016, the charity had deferred income in respect of two Deed of Covenants (2015: two) entered into by Grove End Housing in favour of the charity a) for the total sum of £498,960 payable in seven equal annual instalments of £71,280 from 1 January 2013 and b) for the total sum of £700,000 payable in seven equal annual instalments of £100,000 from 2 October 2014.

Deferred income of £442,560 related to the Deeds of Covenant is due after one year with the balance of deferred income of £171,280 included within the accruals and deferred income shown in note 10 above.

### 13. UNRESTRICTED FUNDS

	Balance at 1 January 2016 £	Income/ gains £	Expenditure/ Losses £	Transfer between funds £	Balance at 31 December 2016 £
<b>Designated Funds:</b>					
Property Fund	4,953,355	449,857	(309,800)	(159,153)	4,934,259
Project fund	25,000	-	-	110,000	135,000
<b>General Fund</b>	425,015	887,275	(824,612)	49,153	536,831
	5,403,370	1,027,332	(824,612)	-	5,606,090

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 Housing Limited

## NOTES TO THE FINANCIAL STATEMENTS

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for the year ended 31 December 2016

Commonweal has agreed to provide revenue support to this project for 5 years starting in 2016 ending in 2020.

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

### 14. RELATED PARTIES

Up to 24 December 2016 three of the Trustees of the charity, Sir John A Mactaggart and Messrs Laurence Newman and Gary Medazoumian, were members of Grove End Housing Limited (GEHL), a Registered Society registered under the Co-operative and Community Benefit Societies Act 2014. After this date Messrs. Laurence Newman and Gary Medazoumian remain as Trustees of the charity.

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 transactions occurred between the charity and GEHL during the year:

- (a) GEHL donated the sum of £621,280 (2015: £621,280) to the charity to fund its charitable activities.
- (b) GEHL did not transfer, by way of gift, the ownership of any property to Commonweal in 2016 (2015: 1 property) with a total market value of nil (2015: £172,500).

At 31 December 2016, there was an amount due from GEHL to Commonweal the total sum of £726,340 (2015: £897,620).

**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 2016

	2016	2015
<b>INCOME</b>		
<b>Voluntary income</b>	£	£
GEHL - Gift Aid	450,000	450,000
GEHL - Deed of Covenants	171,280	171,280
GEHL - Donated assets		172,500
Other donations	21,423	2,194
	<u>642,703</u>	<u>795,974</u>
<b>Rental income</b>		
Re-Unite South London Project	22,526	24,805
Chrysalis Project	17,561	26,460
Peer Landlord Projects	63,333	62,556
Private rented sector	91,665	52,673
	<u>195,085</u>	<u>166,494</u>
<b>Other income</b>		
Investor contribution on refurbishment	49,487	59,430
	<u>887,275</u>	<u>1,021,898</u>
<b>EXPENDITURE</b>		
<b>Project Expenditure</b>		
Property costs (Inc. refurbishment costs on new properties)	145,056	233,449
Feasibility cost to partners	10,000	9,000
Depreciation and Amortisation of leases	98,810	123,727
Social investment consultancy	2,034	2,220
Re-Unite Replication Costs	21,492	30,240
Project Revenue support	65,000	10,000
Evaluators	24,094	16,123
Dissemination and publication	1,100	14,400
Legal and professional	6,840	2,899
Yield on secured loan notes	144,963	98,718
Events	<u>14,531</u>	<u>0</u>
	<u>533,920</u>	<u>540,776</u>
<b>Chief Executive's Office</b>		
CEO and staff salary	180,038	160,186
Pension contributions	14,915	14,406
Social security costs	14,901	17,690
Recruitment costs	3,196	1,726
Travel and conferences	1,452	1,730
Serviced office accommodation (Inc. telecoms)	29,803	27,929
IT Support and maintenance	2,380	2,332
Printing, postage and stationery	4,133	2,927
Depreciation	0	445
Insurance	319	2,213
Subscriptions, magazines etc.	2,222	3,621
Miscellaneous	3,123	3,269
	<u>256,482</u>	<u>238,474</u>



# Commonweal Housing Limited

## DETAILED STATEMENT OF FINANCIAL ACTIVITIES

for the year ended 31 December 2016

	2016 £	2015 £
<b>Support and Administration</b>		
Consultancy and professional fees	18,462	14,961
Accounting software and support	6,648	5,060
Communications and publicity	0	0
Annual Review and publicity material	897	346
Web Design and consultancy	200	200
	<u>26,207</u>	<u>20,567</u>
<b>Governance</b>		
Audit fee	7,191	5,200
Company secretarial	23	26
Trustee Liability Insurance	789	668
	<u>8,003</u>	<u>5,894</u>
<b>Total expenditure</b>	<u>824,612</u>	<u>805,711</u>
<b>Net income before fair value adjustments and revaluations</b>	<u>62,663</u>	<u>216,187</u>