

**Society number: IP031671
(England and Wales)**

Totnes Community Development Society Limited

**Annual Report
Year Ended 31 December 2018**

Totnes Community Development Society Limited

Annual Report

Year Ended 31 December 2018

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Totnes Community Development Society Limited

Report of the Directors

Year Ended 31 December 2018

Directors:

David Chapman
Frances Northrop
Robert Hopkins
Anna Lodge

Secretary:

Frances Northrop

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Francis Clark LLP
Chartered Accountants
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Totnes Community Development Society Limited

Report of the Directors

Year Ended 31 December 2018

The Directors present their report along with the consolidated financial statements of the society for the year ended 31 December 2018. Because of the not for profit nature and small size of the organisation the Directors have adopted the provisions of 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 the Republic of Ireland (FRS 102) (effective 1 January 2015).

Reference and Administrative Information

The directors, principal address and particulars of the Society's professional advisors are given on page 1.

Structure, Governance and Management

The Society was established on 9 July 2012 for the benefit of the community. The Society is a Registered Society and is registered with the Financial Conduct Authority under the Co-operative and Community Benefit Societies Act 2014. Its business is directed by the Directors.

Totnes Community Development Society established new rules with the Financial Conduct Authority on the 5th June 2017. The changes provide for more appropriate details around the objectives of the Society, and also provided for an enhanced asset lock for the activities of the organisation. These were subsequently accepted by HMRC who confirmed that TCDS should be treated as a charity for tax purposes from 5th June 2017.

In accordance with the Rules of the Society, membership is formed of founding members and additional members invited at the discretion of the Directors. At 31 December 2018 the Society had a membership of 146.

Objectives and Activities

The society is formed for the benefit of the community. Its charitable objects shall be the promotion for the public benefit of urban and rural regeneration in areas of social and economic deprivation (and in particular in Totnes) by all or any of the following means:

- (a) Maintain or improve the physical, social and economic infrastructure provided that such maintenance or improvement shall not extend to relieving local authorities or other bodies of a statutory duty to maintain or improve;
- (b) Advance education, training or retraining, particularly among unemployed people and providing unemployed people with work experience;
- (c) Provide financial assistance, technical assistance or business advice or consultancy in order to provide training and employment opportunities for unemployed people in cases of financial or other charitable need through help:
 - (i) in setting up their own businesses, or
 - (ii) to existing businesses;
- (d) Create training and employment opportunities by the provision of workspace buildings, and/or land for use on favourable terms;
- (e) Provide housing, including social housing, for those who are in conditions of need and the improvement of housing in the public sector or in charitable ownership provided that such provision shall not extend to relieving local authorities or other bodies of a statutory duty to provide or improve housing;
- (f) Maintain, improve and provide public amenities;
- (g) Provide recreational facilities for the public at large or those who by reason of their youth, age, infirmity or disablement, poverty or social and economic circumstances have need of such facilities;
- (h) Protection or conservation of the environment;
- (i) Facilitate community ownership of renewable energy production;

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- (j) Promote and support the arts locally;
- (k) Function in accordance with the legal definition of a Community Land Trust;
- (l) Promote and protect local heritage;
- (m) Provide public health facilities and childcare;
- (n) Promote public safety and prevention of crime;
- (o) Any other charitable object that can be carried out from time to time by a charitable Community Benefit Society.

At this time the society's projects are Atmos Totnes (seeking to bring the former Dairy Crest site into community ownership and use), the ongoing management of the King Edward VI College Site Foundation (The Mansion House) in Totnes and partnership with other organisations to support community ownership and use of the buildings and land locally, including with the local community college: KEVICC.

Annual Review and Society Report

2018 was another significant year for Totnes Community Development Society. Many of the activities of the Society have continued to reveal multiple levels of need within the local community and the acute requirement for a variety of spaces and buildings to home services and activities to meet these needs. This situation is compounded by an on-going reduction in the provision of statutory services in the local area and region, and increasing pressures on local third sector organisations and peer support groups working within the community to meet the growing gaps in provision.

The multiple asset base approach that Totnes Community Development Society has been developing since its inception in 2012 now appears more critical than ever in providing a practical response to this increasing diversity of need. As the public sector asset base is reduced the number of service providers, organisations and groups seeking space continues to grow.

Over the course of 2018 The Society has focused on a sustained approach to community development and management of multiple assets. By connecting up multiple spaces and places the Society's is seeking to provide a stable base to ensure these buildings continue to work within and for the community into the future.

With this strategic and practical response the Society moved forward with post planning pre-development work on Atmos Totnes, commenced operation of the Mansion as a fully constituted organisation and started preparations to open the Elmhurst Building (working with and developing the capacity of young people in the community). In addition, the working processes of the Society itself developed significantly in 2018 based on TCDS's collaborative and democratic model of development and management of community buildings.

Development of Totnes Community Development Society

As part of developing a sustainable base for the future Totnes Community Development Society opened up membership in late 2018. The context of multiple asset development including the development of affordable housing, community facilities, employment space and effective protection and use of heritage buildings was the presented to individuals and organisations in the community. Both individual and local organisations were given the opportunity to take a £1 membership share in the Society.

To ensure everyone was able to participate Totnes Community Development Society Directors agreed the Society would pay the membership share value of every new member. At December 31st 2018 there were 146 members. Many of the people and organisations, in the community and beyond, who have become members, have chosen to donate to TCDS during this membership drive.

In order to better manage its work TCDS invested in Salesforce as a database system with a bespoke set-up to support the management of membership, volunteering, share offers and building management. Through the Salesforce database 48% of new members registered an interest in volunteering time in the organisation. Over 50% of new members registered an interest in investing financially in TCDS. The bespoke set-up of the database will allow on-going evolution as membership, volunteering and building management change as needs change.

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To facilitate effective investment within Totnes Community Development Society a community share offer project started in 2018. Alongside the detailed financial planning for TCDS and Atmos Totnes this work was focused on enabling all members to obtain community shares in Totnes Community Development Society. The aim is to support and enable the local community to invest financial in the ownership of local assets within the community. Work to develop the membership and membership and community share offers were supported by the Architectural Heritage Fund and the Community Shares Unit. The share offer is due for launch during 2019.

As part of processes to ensure ongoing compliance with financial and charitable regulations, as activities of the Society develop, the Rules of TCDS were reviewed by the Society's lawyers and financial advisors. New rules, which tightened the Society's asset lock and ensure limitations in terms of interest return for shareholders were submitted to the FCA and registered on 25 January 2019.

To facilitate the development and management of affordable housing, primarily through Atmos Totnes, Totnes Community Development Society commenced the process of applying to become a provider of social housing registered under the Housing and Regeneration Act 2008 (the HRA 2008) with Homes England. The first stage of this process was confirmed as having been met by Homes England on 12 March 2019.

In February 2018 Totnes Community Development Society recruited its second member of staff to support facilities management on a part-time basis. This was primarily to enable the on-going maintenance of the Mansion and in preparation for TCDS management of the Elmhurst Building.

Atmos Totnes

TCDS has progressed with post planning pre-development work on the Atmos Totnes site working towards a programme of development on the site from 2019. Activities with the design team for the project have focused on meeting the Conditions of the planning permission held by TCDS for the project: The Community Right to Build Order (<http://bit.ly/ATCRtBOM>). The Order has been in place since 2017 when it was Made by South Hams District Council in.

Work on the Brunel Building refurbishment plans continued throughout 2018 with the support of Heritage Lottery Enterprise Fund. This work included:

- A full heritage appraisal, heritage statement and Conservation Management Plan for the scheme.
- Consultation with the Conservation Officer at South Hams District Council permission was given for investigation works into the building structure as part of a pre-application process in place since May 2017
- Production of detailed designs of the Brunel Building in accordance with the Made Community Right to Build Order.
- Audit and plan for demolition of structures around the Brunel Building
- Drainage plans for construction and operation of the Brunel Building
- Business planning, valuation and viability review
- Marketing plans and activity plans for the operation period

In addition to detailed design of the Brunel Building itself a landscape plan was produced for the spaces immediately around the Brunel Building. Based on activities presented by members of the community through the Expression of Interest process in 2016, indicative drawings for the interiors were produced for the Brunel Building.

The Listed Building Consent Application was submitted in April 2019. Tenders opened for Expression of Interest in April 2019 for demolition and refurbishment of the Brunel Building.

Following a programme of further ecological investigation on site an application for a European Protected Species Licence was made in early summer 2018. On 6th July 2018 TCDS received the European Protected Species Licence from Natural England in relation to ecological mitigation works to protect several species of bats on site during development and once Atmos Totnes is completed.

A Framework Construction Management Plan (FCMP) was developed by TCDS in late 2018 for use in all works across Atmos Totnes. This provides the structure against which all contractors working on the project will provide detailed management plans, programmes, risk assessments and other essential documentation specific to their area of work and responsibilities. This FCMP was submitted to South Hams District Council in March 2019 and approved for use in April 2019.

Since the making of the Community Right to Build Order in 2017 both TCDS and Dairy Crest have sought clarity from McCarthy and Stone as to their position. Towards the end of 2018 McCarthy and Stone made the decision to pull out of the project as part of their wide strategy to move away from development in the South West. Through the contractual arrangement in place, agreed in August 2014, TCDS were able take an option on the land previously contracted to

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McCarthy and Stone. In December 2018 Diary Crest and TCDS agreed to move forward to establish a new agreement for the sale of the land to TCDS, and in early 2019 jointly agreed the terms of the valuation to agree the price for the land.

Elmhirst Building

In October 2017 TCDS had worked with a group of young people to stage a festival in the Civic Square in Totnes and at the Elmhirst Building, King Edward VI Community College (KEVICC). These events involved over 1,500 people and were in direct response to challenges directly identified by a group of students from KEVICC on work experience placements with TCDS in 2017. These issues focused on mental health, drug abuse and the urgent need for safe supportive places for young people and other vulnerable people within the community.

Through the Golden Iris festival 78 young people volunteered alongside professionals participating in creative activities, managing spaces and development of practical project and event management skills. A number of the original young people which formed the Golden Iris group continued to participate in preparatory activities and discussions about taking on the Elmhirst Building which is no longer required by KEVICC for educational use. In July 2018 a further group of young people undertook work experience with TCDS and picked up the themes and activities of the original group to grow and cement the plans for repair and development of the Elmhirst Building as a home of Golden Iris activities.

In terms of the building itself, TCDS entered into conversations with the senior team and Governors of KEVICC in 2015. At this stage TCDS proposed initial plans to take over spaces within the Elmhirst Building for community-led activities, in tandem with continued use of the site by the school.

In July 2016 the Governing body voted in favour of TCDS commissioning its lawyers to establish a full repairing lease for the Elmhirst Building drafted on the basis of an agreed heads of terms. TCDS was to take on full management and responsibility for the building whilst enabling the College continued access to some of the key assets of the building, primarily the gym and lab spaces. TCDS presented the lease, and topographical study to the Governing body in August 2017.

Following a period of reflection by the College, in September 2017 KEVICC proposed that the lease not be taken forward but that TCDS be offered a Licence to Occupy the Elmhirst building. This Licence to Occupy, and the community use licence for use by other permitted organisations assigned by TCDS was signed in February 2018.

Following the agreement and signatures on the Licence TCDS prepared to take occupancy of the building to enable the Golden Iris team to further undertake activities. The site had been left empty for some time prior to the agreement being signed. However, the deteriorating condition aside, there was a need to obtain information concerning the infrastructure of the site to enable TCDS to safely take occupancy within the Licence. Over the course of 2018 TCDS worked with KEVICC staff to ensure that the appropriate and necessary handover information was in place.

On 24th October 2018 TCDS took possession of a set of keys. Whilst this date proved too late to run sessions with Golden Iris over the autumn, TCDS was able to start establishing contractor arrangements for repair and maintenance. The first open session for the community was held in February 2019 which commenced community activity led with young people through the Elmhirst building.

Throughout the period from February 2019 TCDS had been receiving continuous informal expressions of interest to use spaces such as those at Elmhirst. Many were from individuals, organisations and peer support groups seeking to provide activities that would dovetail with the continuing education and development of the wider groups of students associated with Golden Iris and their key interests: music, mental health support, dance, carpentry, IT, design.

Expressions of Interest for community use that complements the vision of the Golden Iris team opened in April 2019.

Transfer of King Edward VI College Site Foundation to Community Trusteeship

In 2013 by Devon County Council (the Sole Trustee) asked Totnes Town Council to explore how the Mansion could be run locally within Totnes. At the request of Totnes Town Council, Totnes Community Development Society undertook initial business modelling. Further discussion through the Town Council resulted in an open invitation for organisations interested in running the Mansion to come forward. The Directors of Totnes Community Development Society recognised the importance of maintaining the Mansion as an essential community space within the centre of Totnes and when no other organisation came forward, Totnes Community Development Society, offered to take on management of the Mansion in Totnes.

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Devon County Council resigned its role as sole Trustee of the Foundation on the 1st of January 2017 and Totnes Community Development Society took over sole Trusteeship and the management of the Mansion.

Establishing an incorporated Foundation

On becoming sole Trustee of the unincorporated King Edward VI College Site Foundation (charity number 307525), Totnes Community Development Society commenced the legal process of establishing an incorporated organisation and associated constitution. A new Charitable Incorporated Organisation (charity number 1174184) with the same name and object as the unincorporated charity was registered by the charity commission on 9th August 2017.

The assets of the King Edward VI College Site Foundation were transferred from the unincorporated charity (number 307525) into a new Charitable Incorporated Organisation (CIO) (charity number 1174184) as of 1st January 2018. Activity of charity number 307525 stopped therefore on the 31st December 2017 and will be closed following the submission of the final Annual Report to the Charity Commission in 2019. The transfer to the new CIO represented a significant moment in the history of the Foundation, and an important milestone in establishing a viable and sustainable Foundation for the community ongoing.

The Mansion Building

The King Edward VI College Site Foundation holds the King Edward VI School, otherwise known as The Mansion, Totnes located on Fore Street in central Totnes. The Mansion is a complex site encompassing an original Grade 2* Listed Building at the front of the site (facing onto Fore Street), two extensions and the Pulse Building. The building includes office classroom and meeting space, café and art and craft studios, and library and nursery space. Together the building offers a range of spaces for hire and use by diverse population of users.

Aside from the working capital of the Foundation, the Mansion represents the significant asset of the Foundation. It is the vehicle it uses to further its object, which is as follows, 'the provision of facilities for the promotion of further education for the inhabitants of Totnes, and subject thereto for meeting, lectures, classes, physical exercise and other forms of recreation and other leisure time occupation in the interests of social welfare with the object of improving the conditions of life for the said inhabitants.'

As of 1st January 2018 TCDS and King Edward VI College Site Foundation entered into a Service Level Agreement that enabled TCDS to continue to run the Mansion on a day-to-day basis on behalf of the community, and for the Foundation to ensure that standards and provisions were met appropriately.

Managing risk to the King Edward VI College Site Foundation

A number of critical areas were identified by Totnes Community Development Society at point of transfer from Devon County Council. Managing and minimising these risks have continued to be a focus of Trustees, and TCDS staff and volunteers over 2018, in order to reduce or mitigate the risk to the King Edward VI College Site Foundation and to provide stability for those providing essential services and activities through the Mansion.

The infrastructure of the building is in urgent need of review. In some critical areas the building infrastructure was not functioning at the point of transfer and immediate repair was needed. In 2018 systematic investigation of infrastructure and new servicing schedules continued to reveal the need for short-term and long-term repairs. Trustees and TCDS staff enhanced and reviewed service contracts in response, as well as commissioning essential works.

With the support of the Architectural Heritage Fund, investigation and design works enabled the first stage of redevelopment plans to be put in place to reconfigure the heating, lighting, and energy provision alongside the development of a new café/reception space in the building.

In February 2018 TCDS recruited a facilities caretaker. In addition to undertaking regular building checks, the facilities caretaker has been critical in undertaking preventative and responsive maintenance for smoother and cost-effective management of the building.

Systems that had evolved around space use to point of transfer needed to be reviewed and new systems put in place to ensure that the building could be used effectively and safely by an increasing number of people without an increasing budget. All new tenants and hirers entering the Mansion in 2018 were offered consistent lease, fee policy and hire agreements to enable them to effectively and equally undertake their activities, and in so doing meet the Foundations Object.

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All tenants, and a number of regular hirers were involved in a three-day clearance process to remove unwanted and broken equipment from the building. These materials had historically been left in the building and were reducing space available for safe and productive activities.

Over the course of 2018 the TCDS Systems Administrator, Facilities Caretaker and Trustees undertook regular reviews of processes and contractor management to ensure that maintenance was being undertaken that addressed immediate, medium and long-term building need. Of the 16 service contractors managed on behalf of the Foundation two were re-contracted to new companies in 2018.

Individual Directors of Totnes Community Development Society took on personal responsibility for the Mansion at the point of transfer from Devon County Council on 1st January 2017. In the long term this was not seen as a sustainable route and was unlikely to facilitate wider development of capacity to manage the building. As noted above the establishment of the CIO (with asset transfer and transfer of operations on 1st January 2018) was an important process to minimise risk.

Throughout 2018 building use continued to rise. Need for space which is fit-for-purpose is increasingly in need. Some spaces prove difficult to use in very hot or cold conditions. Waiting and dwell space for services is minimal in the building preventing use of the building by some organisations and individuals. Combined these factors are limited the impact of the Foundation and the longer-term viability of the building. In order to provide necessary dwell space and upgrade infrastructure pre-development work continued with the support of the Architectural Heritage Fund. The aim of this work has been to establish an appropriate plan which ensures protection of the heritage building and also ensures financial and charitable viability into the future.

Meeting the charitable objective

At 31st December 2018 the Foundation had received 125 enquires for use of space. During 2018S space was provided to 102 of these organisations and individuals. The number of regular hirers remaining consistent at between 65 and 75 at any one point in the year.

At 31st December 2018 The Mansion has 8 tenants, and one operating agreement in place. Within this two new tenants have been established in 2018 adding further income stability and wider service provision through the Mansion.

Provision of services and activities at the Mansion that meets the Foundations charitable objective include:

- Dance, exercise and movement classes and workshops
- Self-help, counselling, mediation, appointment support, drop-in around wellbeing, health and welfare issues.
- Secondary support to voluntary organisations, SME's, and those with need of employment, training and further education support

The daily visitor profile reflects the many different individuals, families and trades people that occupy the town centre across the different seasons. The Mansion is now one of the few publicly accessible spaces in Totnes. It is open from early morning to late evening, frequently 7 days a week. This includes access for the public to the gender-neutral public toilets, which have remained open whilst many other public facilities in the local area have been closed. Trustees consider the 'free access to all' public areas of the building a critical expression of the charitable objective of the Foundation.

Trustees continues to work with all those meeting the objects of the Charity. Through the Foundations Policy for Granting Licences (established in 2017) and Fee Policy (established in 2018) all hirers and tenants have been able to understand the resolutions and processes of the Trustees, and enjoy equality of access to the space provided at the Mansion. In this way the King Edward VI College Site Foundation with Totnes Community Development Society continues to develop a role to play in the supporting the community of Totnes to truly support its diverse population.

Trustees continue to see this diversity of need and the community's response reflected in those coming forward for space. Many organisations and individuals are able to pay tenancy or hire rates for space. However, a considerable number of organisations and community groups (many of which are un-constituted or in some form of trial or initial development) are unable to pay full fees. Many of these groups are working directly from within a community of need and potential deprivation locally and want to extend or expand the opportunity to 'do more'. Some were having core funding removed (and therefore provision of services removed from the community without support) due to austerity. Several were setting up new ways, innovating responses to this austerity within the community.

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As noted above the Mansion is in need of redevelopment in order to ensure the space it can provide is fit for purpose. This work is essential in order to reach a wider set of organisations and individuals and provide the space they require. It is Trustees opinion that until this redevelopment is undertaken the stability which is emerging through work with TCDS since transfer of trusteeship, remains vulnerable.

The Mansion and running costs

Reactive maintenance costs continue to be higher than predicted. Additionally, utilities and service costs have risen, as a result of price increases and as the number of building users rise. This cost is compounded by the age and ad-hoc nature of the infrastructure and layout of the building.

Review of building maintenance programmes within the building that were established by Totnes Community Development Society following transfer continued throughout 2018. Evidence continues to show a historic lack of critical maintenance in a number of important areas of building infrastructure. This represents a challenge to the medium and long-term financial sustainability as reactive maintenance that reflects this historic neglect continues to prove costly.

Some stability in expenditure is starting to be seen due to the systematic management of contractors and costs by TCDS. Increases in building use are delivering increases in income in some areas. However, this emerging stability is vulnerable to large reactive building maintenance costs or unexpected expenditure (for example during 2018 South Hams District Council turned down an application for discretionary business rate relief for the building, adding a further challenge to a vulnerable position of stability in the day-to-day running costs). This confirms that the Mansion itself needs capital investment, that a stable future for the building is related to the development of other spaces and buildings within the community as well as continued diligence around expenditure and income.

Looking at the Mansion overall, and the Trustees experience in running facilities at this current time, whilst the need for space and supporting community involvement and engagement in response to service provision is critical, it remains clear that the Mansion on its own is unlikely to fulfil or be able to maintain the needs of the community as a standalone building or in the condition it is currently in. The community management of multiple assets for long term sustainability is essential.

Financial Review

The Society is operated through donations, grants, philanthropic giving, trading to raise funds and through loan facilities, as set out in the notes to the accounts. The Society operates within the terms of those loans and is constantly working to secure further income.

The Directors believe it is reasonable to rely on the continuation of the loan facilities and of obtaining the necessary grants for continuation of activities and projects in accordance with the objectives of the organisation.

Therefore the Directors do not consider a reserve is necessary at the date of this report. However, Directors acknowledge that as the organisation develops projects, capital assets and direct beneficiaries, such as staff, there will need to be a consistent and regular review of this reserves policy to account for more complex risks and liabilities.

The consolidated outturn for the year was a deficit of £80,256, of which £74,826 relates to the operation of the Mansion in the King Edward VI College Site Foundation CIO. From the point of taking responsibility for the Mansion the Trustees have been undertaking the work detailed above in respect of risk management, running costs, increasing income and managing the cash flow and financial operations. The backlog of inherited maintenance and legal processes that have needed priority action since handover on 1st January 2017 and through 2018 has been more significant than the Trustees originally planned for from 1st January 2017. Expenditure on emergency building maintenance remains higher than previously projected.

In addition to expenditure on emergency building maintenance the charity has needed to incurring costs associated with providing internet to the building so as to support its growing function as a public building in Totnes. Alongside these one off capital costs, the charity became aware, following negation with South Hams District Council, that it is not eligible for full rate relief.

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At the period end the CIO had net current liabilities of £6,203, and revenue reserves for the individual charity had been exhausted.

The forecast outturn for 2019 is broadly breakeven, with a small surplus projected from 2020 onwards. The charity has continued to operate within available cash resources since the year end, and this is forecast to continue.

However, the Trustees recognise that the continued viability of the Mansion is dependent on the investment and redevelopment planned, as the building will not be economic to operate in the long term in its current physical condition. In addition, the Trustees recognise that with the income and expenses finely balanced, and without revenue reserves available, the charity would have difficulties dealing with a significant negative financial event such as a major unexpected cost or unforeseen drop in income.

The strategy remains to achieve the necessary investment in the Mansion to enable future years to generate operating surpluses to build reserves, and the Trustees are confident this strategy can be delivered.

Totnes Community Development Society Ltd has made no financial guarantees to The King Edward VI College Site Foundation CIO.

Responsibilities of the Directors

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and UK Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

The Directors are required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the society and of the incoming resources and application of resources of the society for that period. In preparing these financial statements The Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Observe the methods and principles in the Charities SORP (FRS 102);
- Make judgements and estimates that are reasonable and prudent;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in operation.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Society and which enable them to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014. They are also responsible for safeguarding the assets of the Society and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Signed on behalf of the Board of Directors

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Anna Lodge
Chair

Date:

Totnes Community Development Society Limited

Independent Auditors Report to the Members of Totnes Community Development Society Limited

Opinion

We have audited the financial statements of Totnes Community Development Society Ltd (the “society”) and its subsidiaries (“the group”) for the year ended 31 December 2018 which comprise the Consolidated Statement of Financial Activities, the Balance Sheet and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102: The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the group’s and of the society’s affairs as at 31 December 2018 and of the group’s income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014.

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 group and society in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC’s Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

- the directors use of the going concern basis of accounting in the preparation of the group and society financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group’s and society’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.

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Independent Auditors Report to the Members of Totnes Community Development Society Limited

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. 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.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Co-operative and Community Benefit Societies Act 2014 requires us to report to you if, in our opinion:

- the society has not kept proper books of account, and not maintained a satisfactory system of control over its transactions, in accordance with the requirements of the legislation;
- the revenue account, any other accounts to which our report relates, and the balance sheet are not in agreement with the society's books of account; or
- we have not obtained all the information and explanations necessary for the purposes of our audit.

Responsibilities of the directors

As explained more fully in the board of directors responsibilities statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the society 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.

Totnes Community Development Society Limited

Independent Auditors Report to the Members of Totnes Community Development Society Limited

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/apb/scope/private.cfm]. This description forms part of our auditor's report.

Use of our report

This report is made solely to the society's members, as a body, in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the society'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 society and the society's members as a body, for our audit work, for this report, or for the opinions we have formed.

PKF Francis Clark
Sigma House
Oak View Close
Edginswell Park
Torquay
TQ2 7FF

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Totnes Community Development Society Limited

Consolidated Statement of Financial Activities

Year Ended 31 December 2018

	Notes	Restricted Fund £	Funds General £	Total 2018 £	Restricted Fund £	Funds General £	Total 2017 £
Income from:							
Donations and grants	3	121,929	1,441	123,370		2,500	2,500
Transfer on acquisition of subsidiary	6					1,499,023	1,499,023
Charitable activities	5						2,882
Other trading activities			96,610	96,610			92,995
Investments	4						
Other			6,241	6,241	196,157	11,955	208,112
Total income		121,929	104,292	226,221	196,157	1,609,355	1,805,512
Expenditure on:							
Raising funds							
Trading activities						(124,830)	(124,830)
Charitable activities	7/8	(120,045)	(186,432)	(306,477)	(34,267)	(71,748)	(106,015)
Total expenditure		(120,045)	(186,432)	(306,477)	(34,267)	(196,578)	(230,845)
Transfer between funds					(127,000)	127,000	-
Net income/(expenditure) and net movement in funds		1,884	(82,140)	(80,256)	34,890	1,539,777	1,574,667
Reconciliation of funds:							
Total funds brought forward		155,361	1,507,035	1,662,396	120,471	(32,742)	87,729
Total funds carried forward		157,245	1,424,895	1,582,140	155,361	1,507,035	1,662,396

The notes on pages 14 to 22 form part of these financial statements.

Totnes Community Development Society Limited

Balance Sheet

31 December 2018

	Notes	2018 £	Group 2017 £	2018 £	Society 2017 £
Fixed assets					
Tangible fixed assets	12	1,500,000	1,500,000	-	-
		<u>1,500,000</u>	<u>1,500,000</u>	<u>-</u>	<u>-</u>
Current assets					
Debtors	13	723,527	714,404	704,658	679,608
Cash at bank and in hand		44,792	65,775	8,839	17,794
		<u>768,319</u>	<u>780,179</u>	<u>713,497</u>	<u>697,402</u>
Creditors - Amounts falling due within one year	14	(686,179)	(617,783)	(625,154)	(603,633)
		<u>82,140</u>	<u>162,396</u>	<u>88,343</u>	<u>93,769</u>
Net current assets					
Total net assets		<u>1,582,140</u>	<u>1,662,396</u>	<u>88,343</u>	<u>93,769</u>
Funds					
Unrestricted funds		1,424,895	1,507,035	(68,902)	(61,592)
Restricted fund	15	157,245	155,361	157,245	155,361
	16	<u>1,582,140</u>	<u>1,662,396</u>	<u>88,343</u>	<u>93,769</u>

The notes on pages 14 to 22 form part of these accounts.

Approved by the Directors on and approved on their behalf by:-

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David Chapman
Director

Totnes Community Development Society Limited

Notes and Accounting Policies

Year Ended 31 December 2018

1 Accounting Policies

The principal accounting policies adopted, judgements and key sources of estimation uncertainty in the preparation of the financial statements are as follows:

a) Basis of preparation

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 the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102).

Totnes Community Development Society Limited 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 notes.

b) Going Concern

The Society meets its day to day working capital requirements for its principle project (Atmos Totnes) through loan facilities. Each of these loans is unsecured and at risk and are dependent upon the development and delivery of Atmos Totnes.

The day to day running costs associated with other activities of the society are met through grants and donations to the organisation.

The society is operating within the agreed terms and in view of this the Directors believe it is reasonable to rely on the continuation of these facilities. The financial statements have therefore been prepared on a going concern basis and do not contain any adjustments that might be necessary if the loan facilities were withdrawn.

As detailed in the financial review on page 8, the subsidiary CIO incurred a deficit of £74,826 in the period and at 31 December 2018 had net current liabilities of £6,203. The work undertaken by Trustees in managing the Mansion has stemmed the deficit, and the forecast outturn for 2019 is broadly breakeven.

Income continues to increase, with a number of leases and hire agreements in place and grant funding being drawn down. Fundraising and income generation activities continue, hire rates have been increased and there is continuing interest from new potential users.

The subsidiary charity continues to operate within existing cash facilities. The Trustees recognise that the charity's property requires the investment set out in the strategy to secure the long term financial viability of the organisation. Whilst recognising that the charity has no reserves, based on the current financial position and forecasts, the Trustees anticipate that the charity will be able to continue to operate within available resources for the foreseeable future and so it is appropriate for the accounts to be prepared on the going concern basis.

c) Group accounts

The statement of financial activities and balance sheet consolidate the financial statements of the society and its wholly owned subsidiary The King Edward VI College Site Foundation. The results of the subsidiary are consolidated on a line by line basis. A separate Statement of Financial Activities is not presented for the Society itself.

Totnes Community Development Society Limited

Notes and Accounting Policies

Year Ended 31 December 2018

The Society's other subsidiary the charitable incorporated organisation The King Edward VI College Site Foundation had no income or expenditure or assets or liabilities in the year ended 31 December 2017.

d) **Income recognition**

All incoming resources are included in the statement of financial activities when the Society is entitled to the income and the amount can be quantified with reasonable accuracy.

Income from donations and grants, including capital grants, is included in incoming resources when these are receivable, except as follows:

- when donors specify that donations and grants given to the Society must be used in future accounting periods, the income is deferred until those periods; and
- when donors impose conditions, which have to be fulfilled before the Society becomes entitled to such income the income is not included in incoming resources until the pre-conditions for use have been met.

Totnes Community Development Society Limited

Notes and Accounting Policies

Year Ended 31 December 2018

1 **Accounting Policies** *(continued)*

e) **Expenditure recognition**

Liabilities are recognised as resources expended when there is a legal or constructive obligation committing the Society to the expenditure. All expenditure is accounted for on an accruals basis and includes irrecoverable VAT.

Expenditure attributable to meeting the Society's objectives, including the support costs, is included in Charitable Activities.

Governance costs comprise the costs involving the public accountability of the Society, and its compliance with regulation and good practice. These costs include the costs related to the preparation of the financial statements and legal fees.

Overhead costs incurred wholly or mainly in support of expenditure on the objectives of the Society, and being an integral part of the costs of carrying out those activities, are separately analysed within the Charitable Expenditure in the Statement of Financial Activities.

f) **Fixed assets and depreciation**

No depreciation is provided in the accounts for the freehold property as the Trustees consider that the useful life of the asset and the residual value of the asset are sufficiently high that any depreciation would be immaterial.

g) **Fund accounting**

i The Society's general funds consist of funds which the Society may use for its charitable purposes at its discretion.

ii Funds have been designated for specific purposes by the Directors.

iii Restricted funds are funds which are to be used in accordance with specific restrictions imposed by donors or which have been raised by the society for particular purposes. The costs of raising and administering such funds are charged against the relevant fund. The aim and use of each restricted fund is set out in the notes to the financial statements.

h) **Taxation**

No liability to taxation arises for the year ended 31 December 2018.

The Society obtained confirmation from HMRC that it is to be treated as a charity for taxation purposes from 5 June 2017.

i) **Irrecoverable VAT**

Irrecoverable VAT is included in the Statement of Financial Activities and is reported as part of the expenditure to which it relates.

Totnes Community Development Society Limited

Notes and Accounting Policies

Year Ended 31 December 2018

1 Accounting Policies *(continued)*

j) Prepayments

Pre-development expenditure incurred in respect of Atmos Totnes during the year has been included as a prepayment within Debtors on the Balance Sheet, in the sum of £676,371 (2017: £664,527).

In the unlikely event that the project does not progress the expenditure would need to be released from the balance sheet in future accounting periods.

k) Concessionary loans

Loans received that are not repayable on demand and are for the purposes of furthering the objectives of the Society are initially recognised at the amount received and subsequently adjusted for repayments and interest payable accrued.

2 Donations and grants

	2018 £	2017 £
Unrestricted funds	1,441	2,500
Restricted funds	121,929	-
	<u>123,370</u>	<u>2,500</u>

4 Income from charitable activities

	2018 £	2017 £
Community Development		2,882
	<u> </u>	<u>2,882</u>

Totnes Community Development Society Limited

Notes and Accounting Policies

Year Ended 31 December 2018

6 Subsidiaries

Included in the current years Consolidated Statement of Financial Activities are the results of the charity's wholly owned UK subsidiary The King Edward VI College Site Foundation.

The subsidiary's principal activity is the operation of The Mansion building in Totnes. The Turnover represented room hire and lease income. Trading results, extracted from its accounts are shown below:

	2018
	£
Income	96,610
Expenditure	(171,436)
Income/Expenditure	<u>(74,826)</u>

The Mansion expenditure can be analysed as follows:

Direct Building Maintenance	£56,632
One off Capital Investment in Wifi System	£8,354
Business Rates	£8,302
Other expenditure	£98,148

The aggregate of the assets, liabilities and funds was:

Assets	1,554,822
Liabilities	(61,025)
Funds	<u><u>1,493,797</u></u>

Charity Registration Number 1174184

Principal Address The Mansion, 36 Fore Street, Totnes, Devon. TQ9 5RP

Trustee Totnes Community Development Society

The financial period end of the subsidiary is 31 December, the above figures relate to the period ended 31 December 2018.

7 Charitable Activities by activity type

	Activities Undertaken Directly	Support Costs	Total 2018	Total 2017
	£	£	£	£
Regeneration of Dairy Crest Site	96,569	50,357	149,926	33,302
Community Development				48,446
King Edward VI College Site Foundation				124,267
	<u>96,569</u>	<u>50,357</u>	<u>149,926</u>	<u>206,015</u>

Totnes Community Development Society Limited

Notes and Accounting Policies

Year Ended 31 December 2018

8 Charitable Activities by fund type

	Unrestricted Funds £	Restricted Funds £	Total 2018 £	Total 2017 £
Regeneration of Dairy Crest Site		96,569	96,569	-
Community Development				47,780
King Edward VI College Site Foundation				100,000
Support Costs	35,563	14,794	50,357	58,235
	<u>35,563</u>	<u>14,794</u>	<u>50,357</u>	<u>158,015</u>
	<u><u>35,563</u></u>	<u><u>111,363</u></u>	<u><u>146,926</u></u>	<u><u>206,015</u></u>

9 Support Costs

Support costs (including governance costs) comprise:

	2018 £	2017 £
Office rent and utilities	10,093	18,790
Office and administration costs	33,007	5,321
Bank charges	60	46
Governance costs	7,197	34,078
	<u>50,357</u>	<u>58,235</u>
	<u><u>50,357</u></u>	<u><u>58,235</u></u>

10 Net income/expenditure for the year

This is stated after charging:

	2018 £	2017 £
Accountancy fees	4,677	7,045
Audit fees	6,600	5,700
	<u>11,277</u>	<u>12,745</u>
	<u><u>11,277</u></u>	<u><u>12,745</u></u>

Totnes Community Development Society Limited

Notes and Accounting Policies

Year Ended 31 December 2018

11 Staff costs

Total staff costs for the year ended 31 December 2018 were:

2018 £	2017 £
28,365	13,596

The society employed two members of staff.

12 Fixed Assets - Tangible

Group

	Land and Buildings £
Cost or valuation	
At 1 January 2018	-
Acquisitions	1,500,000
At 31 December 2018	<u>1,500,000</u>
Depreciation	
At 1 January 2018	-
Charge for year	-
At 31 December 2018	<u>-</u>
Net book value	
At 31 December 2018	<u>1,500,000</u>
At 31 December 2017	<u>-</u>

Land and buildings comprise the Mansion in Totnes. It's value on acquisition is based on an existing use valuation prepared by an independent valuer. The directors are likely to review this to consider a full market valuation of the Mansion during the year.

Totnes Community Development Society Limited

Notes and Accounting Policies

Year Ended 31 December 2018

13 Debtors	Group		Society	
	2018 £	2017 £	2018 £	2017 £
Amounts due within one year:				
Trade debtors	30,444	34,164	26,888	13,175
Prepayments and accrued income	691,470	678,627	677,770	666,433
Other Debtors	1,613	1,613		-
	<u>723,527</u>	<u>714,404</u>	<u>704,658</u>	<u>679,608</u>
14 Creditors				
Amounts falling due within one year:				
Trade creditors	57,908	11,110	26,321	5,841
Other creditors	555,593	541,402	541,402	541,402
Accruals and deferred income	72,678	64,985	57,431	56,104
PAYE creditor		286		286
	<u>686,179</u>	<u>617,783</u>	<u>625,154</u>	<u>603,633</u>

Other creditors include loans that are both unsecured and at risk, with repayment only necessitated by the commencement of the development of the former Dairy Crest Site.

1. a loan from Environmental Research Association, totalling £50,000. This loan is unsecured and at risk, interest free and is repayable on the commencement of the development of the south side of the former Dairy Crest Site. Commencement of the development is anticipated within 2019.
2. a loan from Venturesome of £70,000. This loan is unsecured and at risk with an agreed charge on repayment of £17,500. This loan was due for repayment at the latest of 31 December 2016, however the loan has been extended by Venturesome to 31 December 2019, a further extension beyond 31 December 2019 will be subject to interest being charged.
3. a loan of £120,000 to the society from a private investor. This loan is unsecured and at risk with an agreed interest charge of 2%, to a maximum charge of £2,400. This loan is repayable on the commencement of construction.
4. a loan of £50,000 to the society from a private investor. This loan is unsecured, at risk and interest free. If the society defaults on payments then interest is chargeable daily at a rate of 4% above LIBOR. The loan is due for repayment on either the first day of commencement of the construction work or 1 April 2018. Interest is calculated from 9 months following this date.
5. a loan of £25,000 to the society from a private investor. This loan is unsecured and at risk with an agreed interest charge of 2%, to a maximum charge of £2,400. The loan has been re-negotiated and the loan is now due for repayment at the latest of 5 April 2020.
6. a loan from Charities Aid Foundation (CAF) of £225,000. This loan is unsecured and at risk with an agreed interest rate of 5%, to a maximum charge of £11,250. This loan is due for repayment at the latest of 30 June 2019, this loan has been renegotiated and a repayment date of 31 March 2020 has been agreed.

Totnes Community Development Society Limited

Notes and Accounting Policies

Year Ended 31 December 2018

15 Restricted Funds

The income funds of the Society include restricted funds. At 31 December 2018 there were restricted funds of £157,245 unexpended.

The restricted funds received in the year were in relation to grants received in relation to pre-development expenditure from the Heritage Lottery Fund, Co-operative Grants and the Architectural Heritage Fund.

There is a balance of restricted funds received in the year ended 31 December 2017 in relation to the Trusteeship of King Edward VI College Site Foundation, the total unexpended at 31 December 2018 was £44,890.

16 Analysis of group funds

	Balance b/fwd £	Income £	Expenditure £	Transfers £	Gains & Losses £	Funds c/fwd £
Analysis of Fund movements – current year						
Restricted funds:						
Pre-development funding	110,471	113,247	(111,363)	-	-	112,355
Restricted funds	-	8,682	(8,682)	-	-	-
The Mansion Trustee Fund	44,890	-	-	-	-	44,890
Unrestricted fund:						
Share capital	5	-	-	141	-	146
General	1,569,561	96,610	(150,869)	-	-	1,515,302
Regeneration of Dairy Crest Site	(62,531)	7,682	(35,563)	-141	-	(90,553)
Total	1,662,396	226,221	306,477	-	-	1,582,140
Analysis of Fund movements – previous year						
Restricted funds:						
Pre-development funding	110,471	-	-	-	-	110,471
Restricted funds	10,000	-	(10,000)	-	-	-
The Mansion Trustee Fund	-	196,157	(24,267)	(127,000)	-	44,890
Unrestricted fund:						
Share capital	5	-	-	-	-	5
General	-	1,605,837	(163,276)	127,000	-	1,569,561
Regeneration of Dairy Crest Site	(32,747)	3,518	(33,302)	-	-	(62,531)
Total	87,729	1,805,512	(230,845)	-	-	1,662,396
Restricted funds:						

Totnes Community Development Society Limited

Notes and Accounting Policies

Year Ended 31 December 2018

17 Analysis of Net Assets Between Funds – current year

Group	Restricted Funds £	Unrestricted Funds £	Total 2018 £
Tangible fixed assets		1,500,000	1,500,000
Current assets/liabilities	157,245	(75,105)	82,140
	<u>157,245</u>	<u>1,424,895</u>	<u>1,582,140</u>

Analysis of Net Assets Between Funds – previous year

Group	Restricted Funds £	Unrestricted Funds £	Total 2017 £
Tangible fixed assets		1,500,000	1,500,000
Current assets/liabilities	155,361	7,035	162,396
	<u>155,361</u>	<u>1,507,035</u>	<u>1,662,396</u>

18 Capital commitments

Totnes Community Development Society (TCDS) obtained a lease for the whole of the former Dairy Crest Totnes Creameries site, Totnes, TQ9 5JP in February 2015. This lease enables the Society to take forward the pre-development work required to bring the land forward for development.

Currently the site is owned by Dairy Crest Group Plc (under the name Unigate Dairies Limited). Through the legal agreements established in August 2014 Totnes Community Development Society and McCarthy and Stone Retirement Lifestyles Ltd. have an interest in the land. The key elements of these agreements are as follows:

TDCS contract with Unigate Dairies Limited for the south of site:

The sale price is for £1.00. The key points are that the Society obtain a Community Right to Build Order and undertake works on the Brunel Building to complete on the contract. These works need to be completed within 30 months of obtaining the Order.

Option Agreement for the north of the site between TCDS and Unigate Dairies Limited:

The option is priced at £1.00. The residual land value is calculated by taking 84% of gross development value (open market) less the development costs as defined.

Since the making of the Community Right to Build Order for Atmos Totnes in 2017 both TCDS and Dairy Crest have sought clarity from McCarthy and Stone as to their position. Towards the end of 2018 McCarthy and Stone made the decision to pull out of the project as part of their wider strategy to move away from development in the South West. Through the contractual agreement in place, agreed in August 2014, as summarised above, TCDS have been able to take an option on the land previously contracted to McCarthy and Stone. In December 2018 Dairy Crest and TCDS agreed to move forward to establish a new agreement for the sale of the land to TCDS, and in early 2019 jointly agreed terms of the valuation to agree the price for the land.