

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

Totnes Community Development Society Limited

**Annual Report
Year Ended 31 December 2019**

Totnes Community Development Society Limited

Annual Report

Year Ended 31 December 2019

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Totnes Community Development Society Limited

Report of the Directors

Year Ended 31 December 2019

Directors:

David Chapman
Frances Northrop
Robert Hopkins
Anna Lodge

Secretary:

Frances Northrop

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Totnes
TQ9 5RP

Professional Advisors:

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Francis Clark LLP
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Oak View Close
Edginswell Park
Torquay
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Totnes Community Development Society Limited

Report of the Directors

Year Ended 31 December 2019

The Directors present their report along with the consolidated financial statements of the society for the year ended 31 December 2019. 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 2019).

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 of Totnes Community Development Society

Totnes Community Development Society Ltd 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 and 25th January 2019. 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 2019 the Society had a membership of 374.

Objectives and Activities of Totnes Community Development Society

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:
- d) in setting up their own businesses, or
- e) to existing businesses;
- f) Create training and employment opportunities by the provision of workspace buildings, and/or land for use on favourable terms;
- g) 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;
- h) Maintain, improve and provide public amenities;
- i) 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;
- j) Protection or conservation of the environment;
- k) Facilitate community ownership of renewable energy production;
- l) Promote and support the arts locally;
- m) Function in accordance with the legal definition of a Community Land Trust;
- n) Promote and protect local heritage;
- o) Provide public health facilities and childcare;
- p) Promote public safety and prevention of crime;
- q) Any other charitable object that can be carried out from time to time by a charitable Community Benefit Society.

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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, the management of the Elmhirst building and on-going collaboration with Golden Iris and partnership with other organisations to support community ownership and use of the buildings and land locally.

The subsidiary of Totnes Community Development Society

The King Edward VI College Site Foundation CIO (Charity number 1174184) is controlled by Totnes Community Development Society as detailed within the Foundations constitution, entered into the Registers of Charities on 9th August 2017. The object of the Foundation is concurrent with the objects of Totnes Community Development Society.

The charitable object of the King Edward IV College Site Foundation CIO (locally known as the Mansion) is that the Mansion is "a centre for 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."

Despite the substantial advantages and advances of the Society developing and managing a multiple asset base for the public benefit of Totnes and surrounds through the governance of these two entities within, neither Totnes Community Development Society or The King Edward VI College Site Foundation CIO have made financial guarantees to the other entity. Furthermore, the manner in which the Society controls the Foundation requires the appropriate conduct of both organisations in accordance with the FCA, Charity Commission, HMRC or Companies House rules as they relate to each organisation.

Annual Review and Society Report

Totnes Community Development Society has long recognised the potential that multiple asset development and management within a not for profit community organisation offers for long term viability and sustainability of both the assets and the services/activities offered within the assets. Its work since incorporation has been undertaken in the belief that there is a greater opportunity for the assets themselves to be better sustained as a consequence of being able to cross subsidise across the multiple asset base. Practically using surpluses generated through the management of one asset to subsidise work in another. In this way the Society also believes that multiple asset development and management within a not for profit community organisation can collectively sustain and support critical service provision that meets local need. Practically by being able to hold rent or hire charges at affordable levels or by providing free space (where appropriate to do so) to support services under threat of closure due to lack of finances. The Society therefore recognises that its role is not one of activity and service delivery but supporting others to deliver services and activities from within the space it manages; buildings and spaces which are collectively owned by the local community.

The aim of all work completed during the course of 2019 was to consolidate the Society's work and lay further foundations for the development of its multiple asset base across Totnes. This work took place against the backdrop of impact of the austerity measures throughout the year and in the later part of the year the emerging threat of spread of the Coronavirus and Covid-19 (indeed this report was written whilst the whole of the UK was in lockdown in April 2020).

In structure this report sets the work the Society achieved in 2019 however equally importantly it also considers the impact of the austerity measures and the external decision-making which has also impacted on the work of the Society, and particularly how the long-term strategy being followed by the Society appears to be a challenge to many seeking to work with and support the work of the Society. This has directly impacted on the work of the Society during 2019.

Organisational Development

Totnes Community Development Society has been established to develop and manage assets in Totnes for the benefit of the community of Totnes, therefore prioritising the sustainability of the organisation over its delivery is something the Directors of the Society have sought and continue to seek to guard against. The balance the Directors of the Society are seeking to achieve is one where there is just sufficient resource within the Society to deliver its projects.

Over the course of 2019 Directors (supported by their legal and financial advisors) mapped the capacity and organisational needs of the Society, in relation to the proposed final positions of the projects that the Society is currently developing and managing, and then considered the capacity and organisational development required to support the Society to achieve these positions. The outcome of this work is the Society's Strategic Plan which sets out the work to be achieved over the next seven years. This is the period of development of Atmos, and incorporates the time period required for the redevelopment of the Mansion.. The Strategic Plan considers the following four area:

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- The organisational development needs of the Society: including consideration of staffing and commissioned experts required and also the development of any new legal entities.
- Systems development: including the further development and integration of process and systems, including the development of CRM, financial management and other IT software.
- The development of the membership base
- The development of volunteering opportunities

During the review of capacity and organisational development needs Devonshires (the Society's solicitors) completed a review of TCDS Charitable Objects in relation to the development proposed at Atmos Totnes and confirmed that in their view the whole of the development should be regarded as charitable regeneration, given its tailored purpose as a whole to relieve charitable need within an area of social and economic deprivation. The Society's Auditors (PKF Francis Clark) were asked to consider the report and the implications of proceeding with Atmos Totnes as a regeneration project given the implications on tax, and specifically VAT. In relation to VAT this is significant. Directors of the Society believe it will not need to pay VAT on the construction or management of space at Atmos Totnes. It was on this basis that the Society was able to prepare full financial modelling for Atmos and the Society to the period 2054.

Developing Organisational Capacity

The review of current capacity indicates that there is a great deal of emphasis on Directors to support the work of the Society in a pro-bono capacity. At the current time two Directors are providing in the range 20 to 40 voluntary hours per week to the Society. Whilst there is a need for Directors to discharge their responsibilities in relation to the governance of the Society and to support the programme structure, there is a clear risk to the Society in such a workload falling on Directors. Firstly, because Directors are volunteers and are likely to have work requirements which will limit the time they can provide the Society and secondly, because there is a rotation of the Directors every year, organisational continuity could be a challenge.

The review of capacity indicates that there is a need to develop additional limited paid professional capacity within the Society. Directors can therefore continue to provide pro-bono support to the work of the Society, as well as ensure that there is capacity so as to achieve greater sustainability for the organisation.

Members and involvement

Member involvement and engagement is critical to the legitimacy and work of the Society. Whilst Directors of the Society remain unhappy with the level of membership and recognise the need to continue to both increase the number of members and to support and enable members to become more actively involved in the day to day work of the society, by the end of December 2019 the membership of the Society was 374 members, an increase of 228 over the year.

Looking forward to 2020 and beyond it is the aim of the Society to continue to grow the membership ideally to the position where all those aged 16 and over living in Totnes are members.

Volunteering Opportunities

Over the course of the year ways by which to support the active engagement of volunteers in the work of the Society was key theme. Working with the Society's Systems Administrator, Directors sought to provide support and structure to enable members to more actively engage and volunteer in the work of the Society.

Whilst there is more work to do:

- Approximately 114 volunteers helped develop the work of the organisation across 2019, with up to 25 volunteers active at any one time.
- Over 70 people participated in the initial weeklong clearance and initial refurbishment of the Elmhirst building in February 2019.
- Across two whole days and an evening event in June 2019 over 250 members and other interested members of the public came for updates on the work of Totnes Community Development Society.
- 5 volunteers have been trained in Kiln operation so as to support increased usability and maintenance of the Craft and Pottery Rooms at the Mansion.
- Volunteers are now regularly working in the grounds of the Mansion under KEVICSF risk assessment processes
- Elmhirst now has 11 crew members who are responsible for locking, unlocking and supporting safe systems running at Elmhirst. Two young Golden iris volunteers (over 18) have been introduced to the fire systems and weekly fire test operations.

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Whilst many of the current volunteering opportunities have had to stop as a result of the Coronavirus outbreak in 2020 it is the intention of the Society to re-establish these opportunities and to develop and support other opportunities, once the measures the Government has put in place to control the spread of Covid-19 are removed.

Systems development

In recognition that Totnes Community Development Society was developing capacities within the community through its volunteer base, specifically through the Community Labour Initiative, as well as maintaining and developing multiple charitable spaces, the Directors worked closely with Colin Hardy and Company Ltd to ensure that the insurance requirements married with the level of health and safety, and processes that were in place, facilitating a growing number of participants in the work of the organisation.

During 2019, alongside the growth in membership, Directors and Systems Administrator continued to utilise and develop Salesforce as the contact system for the organisation alongside, Xero for day-to-day financial management and form assembly for data capture. Together they have enabled the online application for Expressions of Interest for space in community building, and for management of room hirers, contractors and other contacts of the organisation.

The growth in membership, building use and volunteering within Totnes Community Development Society has encouraged Directors to pursue the strategic aims of the organisation as embodied in the Strategic Plan for TCDS and the draft Share Offer Document. At the time of writing there is much uncertainty regarding the financial context. However, community development is likely to be critical in supporting community activities and therefore the TCDS Strategy is vital to pursue.

Atmos Totnes

During 2019 the work of the Society focused on further post planning pre-development work whilst at the same time seeking to secure new legal agreements with Saputo (Dairy) UK (formerly Dairy Crest Group Plc.).

The post planning pre-development work completed over the year included work to discharge some of the Made Community Right to Build Order Conditions so as to be able to move towards starting work on site. They included:

- The capture of the reptiles on the site over the spring and summer 2019 and their relocation to a dedicated hibernaculum in another location in Totnes. Over the course of the year 167 reptiles were relocated.
- The completion of investigative work on the Brunel Building so as to put in place a Conservation Management Plan and prepare and submit the application for Listed Building Consent which was granted on 24 June 2019. This was supported through funding provided by the National Heritage Lottery Fund and led to the second stage application being submitted in August. Capital funding of £2,576,400 was approved by the National Heritage Lottery Fund for the refurbishment and development of the Brunel Building in December 2019 but notification of the award was not made public due to purdah until the early part of 2020.
- A preparation of a permitting schedule within the wider strategy to mitigate the flood risk and risk of contamination from surface water during demolition and construction. This involved pre-application meetings with the Environment Agency to agree the strategy and the final approach to permitting. Two of nine permits and licences required under Flood Risk Management and Surface Water Drainage Development Strategy were applied for, the Bat House and the groundwork investigation. Both applications were approved by the Environment Agency in February 2020.
- On 29th February 2020 South Hams District Council determined on the first set of Reserved Matters which allows the start of work on site by Totnes Community Development Society in accordance with the Community Right to Build Order and the Reserved Matters.

With the grant of Listed Building Consent for the Brunel Building the Society moved ahead with the first stage of a two-stage tender process to put in place contractors for the delivery of works on the Brunel Building alongside developing the Society's capacity to manage the work. This was on-going at the end of the financial year. Much of the post-planning pre-development work undertaken during 2019 was supported through funding from the Homes England Community Housing Fund. The other funding source secured in 2019 was £26,000 grant support approved by CAF Venturesome in July. Unfortunately, there has been a considerable delay in releasing the funds to the Society due to questions over State Aid (CAF Venturesome needed to consult with their lawyers before they confirmed the grant would be released). Whilst, the Society has been advised that the funds will be made available as at April 2020 no funding has been released.

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Relationship with Saputo (Dairy) UK

Since the making of the Community Right to Build Order in 2017 both the Society and Dairy Crest Group Plc 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 to take an option on the land previously contracted to McCarthy and Stone. In December 2018 Dairy Crest Group Plc. and the Society agreed to move forward to establish a new agreement for the sale of the land to the Society. In March 2019 Dairy Crest Group Plc. and the Society jointly agreed the terms of the valuation to agree the residual land value, and therefore the price for the land, and commissioned JLL (Jones Lang Lasalle) to undertake the work.

On 15 April 2019 Saputo (Dairy) UK completed its acquisition of Dairy Crest Group Plc., however the key contact at Dairy Crest Group Plc (Tom Atherton, CFO & Deputy CEO) remained as the key contact for Saputo (Dairy) UK. Indeed, it should be noted that Tom Atherton took on an enhanced role of President & Chief Operating Officer with Saputo (Dairy) UK.

The valuation report indicated a negative land value and therefore concluded that there is no residual land value. However, JLL conclude that the land could raise an opportunity value in the range of £460,000. Once Saputo (Dairy) UK had considered the valuation report, it was evident that they were not happy with the residual land value proposed by JLL. The challenge of the land valuation completed by JLL is that it does not take into account the value of the contract between Dairy Crest Group Plc. and McCarthy and Stone. Saputo (Dairy) UK were clearly of the view that the value of the McCarthy and Stone contract of £1.2 million could be achieved as part of the land value. The residual land valuation completed by JLL however sets out the site constraints and challenges and the planning context (both the Joint Local Plan and the Made Community Right to Build Order) and correctly does not consider past contractual agreements.

In discussion as to the way forward the Society proposed in September 2019 buying the site from Saputo (Dairy) UK at the opportunity value for the site of £460,000 with an overage on the land area set aside for the retirement housing. This was an option that the Saputo (Dairy) UK board were happy with and they instructed Eversheds Solicitors to draw up the agreement.

In 29 November 2019 Evershed issued termination on behalf of Saputo of the existing agreements in an effort to tidy up the contracts. The Society, through its solicitors Devonshires, requested that written confirmation be provided of termination McCarthy and Stone's contract, and that the agreements between Saputo (Dairy) UK and TCDS remain in place until exchange of the overage contract for the sale of the site to the Society. The Society proposed that the exchange takes place as soon as was practically possible.

The Overage Agreement was agreed by both the Society and Saputo (Dairy) UK on 23 December 2019 and conversations to confirm details for exchange of contracts, including the Overage agreement, continued between the two party's lawyers into January with the Society confirming on the 13th January it was ready to exchange contracts.

The Overage Agreement sets out that the Society would purchase the whole site for £460,000 and that the area for the overage was the area allocated for development for older peoples housing, the area previously contracted to McCarthy and Stone (as the Made Community Right to Build Order held by Totnes Community Development Society only provides for the McCarthy and Stone area of the site to be sold at market value; the rest of the site must be held in perpetuity as affordable. Notwithstanding this, the overage would currently be in the region £4,999,500 (based on the current average build costs and market value of retirement flats in Totnes).

On 17 January 2020 Eversheds Solicitors notified the Society that Saputo (Dairy) UK had exchanged contracts with another party (Fastglobe (Mastics) Ltd) and requested return of the keys for the site from the Society.

Despite several attempts by the Society to seek meetings with the Saputo (Dairy) UK and Fastglobe (Mastics) Ltd., as of the writing of this report no meetings have taken place and Fastglobe (Mastics) Ltd., have only just responded to the Society requesting that the Society speak with agents Bruce Gillies Ltd. The Society has set out to both Saputo (Dairy) UK and Fastglobe (Mastics) Ltd. that it is seeking to pursue its legal interest in the site and is also seeking to ensure that the liabilities that exist on the site and that these are appropriately handed over whilst the Society pursues its interest.

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Elmhirst Building

In October 2018 the Society took possession of a set of keys for the Elmhirst building having secured a licence from the Dart Valley Learning Trust (King Edward VI Community College (KEVICC) is a Co-operative Trust College, with the land and buildings comprising the college held within the Dart Valley learning Trust) to use the building. The site had been left empty for some time prior to the licence agreement being signed. However, the deteriorating condition of the building aside, there was a need to obtain information concerning the infrastructure of the site to enable the Society to safely take occupancy within the Licence.

To help bring the Elmhirst building back into creative and enterprising use, young people and members of the community worked side by side with professionals to make the most of the learning opportunities that are available whilst at the same time refurbishing the building. The initial phase of refurbishment, to clear the Building of rubbish and to start to make it safe for use, took place in February and has continued since. This work has allowed Golden Iris and the Society to trial working with young people, volunteers, trainees and contractors to facilitate both formal and informal skills development, through the Society's Community Labour Initiative.

As part of the effort to help open the Elmhirst building and to support the events programme that has been prepared the Golden Iris team applied for and were successful in securing £9,904 funding from the National Lottery Awards for All programme. This funding was used to help with the refurbishment of the building as well helping with the costs associated with the programme of events and training.

The first Fun Day open day was due to take place on 22 April 2019. The Fun Day was planned to be an open event to provide free entertainment, including acoustic music and a silent disco to the community using musical talents within the group. This was also going to be the opening of the building with many of the people submitting Expressions of Interest planning to come and see what the building could provide in a positive and welcoming way.

Whilst the Society had been working with contractors for some time to map and clean the water system. Prior to the Fun Day weekend the certificate for clean water had not yet been received and Directors decided to hire Portaloos and buy drinking water for the event. Sadly, the day before the Fun Day there was a fire at the building. The fire started with an arson attack on two Portaloos outside the building. The Fire Service were called to the fire at 3.30pm on Sunday 21 April and left the site at 8pm. Unfortunately, despite swift mobilisation by the Fire Service and Directors, due to the strength of the fire the building caught fire. A window blew in, some damage was logged in the roof space, and the portaloos were welded to the car park. The fire also damaged the electrics and there was water damage in the loft space and down into the room below.

Whilst the fire meant that there was no official opening of the Elmhirst building over the course of the 2019 volunteers, of all ages, continued to work together to clear the vandalism and debris and make immediate repairs so that the building could be used, whilst concurrently developing new activities and programmes.

Over the course of 2019 the interest and uptake of space by a whole range of organisations, individuals and groups steadily rose. On a building level this increase also meant regular maintenance, upkeep and inspection of the site. The Society's and Golden Iris efforts at Elmhirst have been about developing a new model to support safe and constructive engagement of young people in the community. This is about giving of ourselves alongside working with statutory bodies and engaging with others. The Society have been really pleased to have been asked by the police if they can refer young people to the Elmhirst Building during later hours opening, and started to work with the Job Centre on their placement scheme for isolated young people coming from schools such as KEVICC.

Over the course of 2019 many formal groups and sessions developed through Elmhirst providing much needed structure for young people. Alongside this there were a number of informal spaces and activities which provided essential support to young people. The Society's safeguarding processes have enabled young people to evolve their activities individually and across different groups, but also enabled the Society to host very practical needs at different times including supporting students requiring space for GCSE revision between exams last summer, and students seeking to develop work for their A level portfolios.

The activities at Elmhirst show the impact and potential of the model that the Society has developed with Golden Iris at the Elmhirst Building. This work shows the ability for collective guardianship of a space that is now safe and positive to use, rather than abandoned and vandalised.

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By early 2020 there were over 55 groups either using space or developing their programme at Elmhirst. Much of this work is new to the community and is enabling intergenerational activities to take place, as well as enable young people to develop their own skills and experience. The Café has been made ready for use and the Society has received registration of the space by Environmental Health at South Hams District Council in order to provide wraparound affordable food provision for young people, as well as others in the community, as well as training for our volunteers, including several of the Golden Iris team.

The future use of the Elmhirst building by the Society and Golden Iris however looks uncertain. In the early part of 2020, the Dart Valley Learning Trust served notice on the Society terminating the Society's use of the Elmhirst building. At the point when the UK Government advised on social distancing measures ahead of the full lockdown the Society was still seeking the engage with KEVICCs Full Governing Body, with a view to extending the occupancy of the Elmhirst building. The Society will continue to seek an extension to the licence once the restriction put in place to reduce the spread of Covid-19 have been relaxed and it is possible to re-open the Elmhirst building.

The Community Labour Initiative

The Community Labour Initiative is a model unique to Totnes Community Development Society and over the course of 2019 was piloted extensively with various employers and groups locally at both the Mansion and the Elmhirst building in order to gain a better understanding of the needs of employers and practically how to deliver and managed on-site experience, including the associated frameworks, processes and documentation required.

Through the pilot work we have identified different types of labour for each area of skills development. In broad terms the types of labour correspond to those the training is aimed at, taking into account Health & Safety, previous experience, level of skill required for certification, and difficulty/specialism of the task. Over the course of 2019 highlights of the CLI pilot work included the following:

- Two of the employers contracted at the Mansion were facilitated to actively involve apprentices working directly with them to fulfil the service contracts within this Grade 2* Listed building in the centre of Totnes. One was in a planned preventative maintenance (PPM) role and the other in a development capacity. Both apprentices completed formal training at college and then assisted in hands on delivery of the service contracts. The employers in this case felt that the experience gained by the apprentices helped them to recognise the complexity of delivery or work on the ground and as a consequence of in working in such a busy and diverse setting helped them develop softer skills such as customer care.
- The Society hosted a group of Year 10 students on work experience from KEVICC the local community college. The focus was on considering "how places and spaces can be used creatively by young people and other local people for the benefit of the whole community." Students have been hosted on site and spent time with members of the Atmos Totnes team. Ultimately this work experience has led to the repurposing of the Elmhirst building, based on the brief developed by the students.
- The Society have started working with the local probation service who have completed site visits so that the Society can provide opportunities for individuals on the probation services Community Payback and Unpaid Work schemes on renovation, maintenance and administration connected with the Mansion and the Elmhirst building are in place. Two types of work programmes have been explored, one being individual work placements and the other working groups each suiting a different type of task.
- Through the CLI pilot we worked with employers to review standard practise in order to provide opportunities for volunteers without compromising quality and safety. For example, as the water system at the Elmhirst Building was reinstated the employer leading the job deliberately chose a process and materials that supported unskilled labour to help them, not only reducing the cost but providing a volunteer with insight into that element of facilities maintenance. The same employer is now supporting the training of regular volunteers to undertake the monthly water hygiene compliance checks.

In late December 2019 the CLI was recognised nationally as a programme by the Heritage Lottery Fund who awarded Totnes Community Development Society over £2.5 Million for the regeneration of the Brunel Building at Atmos Totnes using this model.

Relationship with South Devon College

Over the course of 2019 the Society and South Devon College put in place a Memorandum of Understanding to enable both parties to work together to explore the opportunities for the delivery of training and development through all aspects of the pre-development, construction, refurbishment and occupancy of Atmos Totnes, the Mansion and the Elmhirst Building.

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In practical terms the College will complete the building of the Bat House once the foundations are in place and will undertake refurbishment work at both the Mansion and the Elmhist building. This work had been planned for 2020 but will now be rescheduled once restrictions around social distancing are relaxed. Beyond this the rest of the development at Atmos Totnes has been modelled to take place through and with the CLI.

King Edward VI College Site Foundation

Over the course of 2019 the focus of the work of the Foundation was managing the Mansion to ensure that its opening met all compliance, statutory and legislative requirements and kept users and the public safe whilst managing the trading position of the charity (and specifically the income and expenditure) to ensure that it maintained a solvent trading position.

Meeting the Charitable Object

During the course of 2019 the number of organisations and individuals occupying tenancies or operating agreements at the Mansion grew from 9 to 11. Part of this increase in number came about through the opportunity to reconfigure hire and sessional space and tenancy space following the Learn Devon's decision to terminate their lease in May 2019.

Since taking the Mansion into community ownership the aim has been to provide space to those providing services and activities to Totnes at costs that are as low as they can be whilst juggling the on-going maintenance needs of the Mansion. With this aim in mind the Foundation ask those who can pay for space at the established rates (through either leases or hire of space) that they should do so, as this income helps to enable the Mansion to function for the community as a whole. However, Trustees also recognise that the Mansion has a significant role to play in enabling the development of new, or otherwise unavailable activities and essential services in Totnes, and facilitating local people to develop a range of much needed provision locally. To support those organisations and individuals who genuinely cannot afford the established rates for the space, the Foundation operates hire on a free or 'pay what you can' basis to trail, run or maintain activities which meet its charitable objective. Trustees consider requests in this way on a case by case basis.

By the end of 2019 the Mansion was being used by over 100 organisations (from 17 in January 2017), with over 2000 users a week. Of the organisations using the Mansion, 11 were tenants with lease or operating agreements, the remaining users were sessional hires and approximately 16% were offered space through the Foundations free use policy. The breadth of service provision, support and activities offered through the Mansion has grown as a result of the growth in organisations using the building and include Totnes Library, nursery provision, adult education, support for mental and physical health, the arts and sustainability focused activities.

Each of the organisations working from the Mansion meet the charitable object of the Foundation and collectively help to substantially enhance the object. 77% of activities at the Mansion supported vulnerable members of the community, with 48% of regular activities being free to attend or by donation. Around 30% offered some form of drop-in or 'open-door' service.

Managing risk to the King Edward VI College Site Foundation

Whilst the number of organisations and people using the Mansion grew across the year many of the organisations using the Mansion reported that they were struggling to secure sufficient income and resource to deliver the services, activities and support to meet the need they were experiencing. Many reported that the impact of austerity and the reduction or loss of key service provision which has resulted as a consequence of austerity measures is significant both the individuals living in Totnes and those providing services and support.

As a result, many of the organisation hosted and supported at the Mansion struggle to pay rent or hire costs on time. This was (and remains) a significant issue for the Foundation and placed a challenge on managing the day to day finances. In setting the 2019 budget for the Foundation, and specifically the management of the Mansion, Trustees set a deficit budget. From the point of taking responsibility for the Mansion the Trustees have been undertaking detailed work 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 the period to the end of 2018 had been more significant than the Trustees originally planned for from 1st January 2017. Whilst income projections have been met expenditure on emergency building maintenance remained higher than previously projected.

Although Trustees could rightfully seek to terminate lease agreements or hire agreements with those who are unable to pay invoices for space that they have occupied/used, this is not a route Trustees choose to follow. Trustees recognise that the services and activities provided through the use of the Mansion are critical to the health and well-being of those living in Totnes and therefore where possible seek to support organisations providing these services.

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Report of the Directors

Year Ended 31 December 2019

As part of the discussions about the 2019 budget Trustees recognised that the current lease arrangements have an occupancy charge and a service charge. When the leases were established (in mid 2017) the occupancy charge was set at a rate that was hoped would cover the services costs of the Mansion. The service element in 2018 was £0.00. In setting the budget for 2019, whilst it was known that the income would not cover the expenditure of the building it was felt that with prudent management of the cashflow it would be possible to hold the service charge at zero for the period 1 January 2019 to 31 December 2019 so as to help those organisation rent space at the Mansion.

Setting a deficit budget in 2019 was recognition that there would be a need to seek to work with those organisations/hirers who were struggling to make lease and hire payments. As part of the budget setting TCDS Directors agreed to provide pro bono support at this stage and not to invoice KEVICSF for any management costs so as to help the KEVICSF cash flow. Alongside setting a deficit budget, week by week management of the cashflow of the Foundation, whilst at the same time seeking to move forward the redevelopment project was (and remains) the strategy set by Trustees to keep the Mansion open.

Alongside the challenges those using space at the Mansion experienced over 2019, the fabric and condition of the Mansion continued to deteriorate as a result of the lack of investment and preventative maintenance over a significant number of years prior to the transfer of the building into community ownership. Whilst the increased use of the building is to be welcomed its impact alongside the backlog of historic maintenance issues was further felt on the fabric of the building during 2019. To serve as just one example it became clear in the early part of 2019 that the lifts at the Mansion had not been subject to the appropriate compliance and service testing regime prior to the Mansion transferring into community ownership. The full condition survey on the main lift determined that it could no longer be safely used or repaired and as a consequence this lift had to be decommissioned during 2019. The costs of replacing the lift cannot be met by the Foundation

As a consequence of continued higher than projected expenditure and the need to carefully manage cashflow due to income fluctuations Trustees have had to prioritise maintenance work on the Mansion. Maintenance work that is required to ensure legal/statutory compliance is prioritized. Given this there are a growing number of maintenance needs that are not being met.

Refurbishment and development Project

Over the course of 2019 with the support of the Architectural Heritage Fund, further investigation and design works enabled the first stage of redevelopment plans to be completed to reconfigure the heating, lighting, and energy provision alongside the development of a new café/reception space in the building.

A full and detailed Options Appraisal has been completed which considers the options for the future of the Mansion, including the proposed refurbishment and redevelopment of parts of the Mansion, to achieve financial and social sustainability whilst recognising the importance of the asset.

A full heritage appraisal has been prepared which has been reviewed by Historic England and South Hams District Council. This appraisal indicates that the proposals will not have any significant detrimental impact on the heritage of the Mansion.

In October 2019 the Mansion was opened for members of the public to drop in and take part in sessions and tour the building alongside reviewing the refurbishment and development plans. The day was attended by around 100 people who reviewed plans and commented on them. All comments were positive and recognised the need to refurbish this key asset within the centre of Totnes. The next stage of work is to complete the final elements of pre-development work so as to prepare and submit applications for planning and Listed Building consents.

At the writing of this report (April 2020 in the period of lockdown to combat the Coronavirus) the Foundation and the Society is still seeking to secure funds to complete the final elements of pre-development work required to submit applications for planning and Listed Building consents.

Totnes Community Development Society Limited

Report of the Directors

Year Ended 31 December 2019

The Foundation have approached a number of funders who have indicated that whilst they are supportive of the aims of the project, they are not able to support with funding as there is not sufficient deprivation in Totnes. The Foundation has also approached a number of investors regarding the use of loan finance. Whilst they are all interested in providing capital finance for the refurbishment and development work, based on the long term business model and business plan, none are prepared to offer a facility to cover the final pre-development work required to get the project into planning. Without completing this final pre-development work it will not be possible to get the consents in place necessary to undertake the work. As a consequence, combining this with the current lockdown position, means that Trustees are now having to consider the possibility of closing the Mansion and the charity permanently. Whilst Trustees are of the view that it will be possible to maintain the current holding position for the Mansion whilst the lockdown is in place, the impact of the lockdown may be significant in terms of further unforeseen maintenance issues once it is fully opened again. In addition it is felt that sessional use is likely to significantly reduced when the building opens again particularly if social distancing measures remain in place as hire use of the Mansion is often also focussed on vulnerable people (for example older people) who are likely to be affected by social distancing measures for the longest period of time. Given that sessional hire is likely to be impacted once the Mansion opens again there is likely to be a need to consider the phased opening of the building. This would mean that the most vulnerable parts of the building from a maintenance and repair issue remain closed. It may be that these spaces would need to remain closed until the refurbishment work has taken place. To this end Trustees and Directors are really trying to push on with the refurbishment and development project now!

So, to 2020

At the time of writing this report the whole of the UK has been in lockdown for around four weeks. It is clear that a further period of lockdown will be required and the once this is lifted, social distancing measures are likely to remain in place for some time in order to combat the impact of Coronavirus and Covid-19.

The impact of closing buildings where people gather on the business model of an organisation established to develop and manage assets will be significant. Whilst Directors and Trustees will work tirelessly to ensure that both the Society and the Foundation survive the impact caused by Coronavirus, at this stage there can be no guarantee. However, what is clear is that spaces like the Mansion and the Elmhirst building and the work that is developed and takes place from these spaces, and developments like Atmos will be needed more than ever when the full and long term impact of the Coronavirus is felt. There will be a need to rebuild communities and support those who have been or are at risk of being marginalised, which given the economic impact is likely to be a significant number.

Directors believe that the model developed by Totnes Community Development Society (collective community ownership of assets held within the ownership of the community for the community where everyone is regarded equally and everyone is provided with the opportunity to give of themselves, alongside working with statutory bodies and engaging with others, for the benefit of the whole of the community) is one that will be required in the post-Coronavirus world.

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.

At the date of this report the Society has no reserves. 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 group for the year was a surplus of £8,454, of which (£235) relates to the operation of the Mansion in the King Edward VI College Site Foundation CIO. As noted above 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 and 2019 has been more significant than the Trustees originally planned for from 1st January 2017. Expenditure on emergency building maintenance remains higher than previously projected.

Totnes Community Development Society Limited

Report of the Directors

Year Ended 31 December 2019

The forecast outturn for 2020 is broadly breakeven, with surpluses projected from 2020 onwards once the redevelopment project is completed. The charity has continued to operate within available cash resources since the year end, and at the point of lockdown due to the outbreak of Covid-19 in March 2020 this was 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 will have difficulties dealing with the impact of the outbreak of Covid1-9. This is likely to represent a significant negative financial event, and result in a drop in income. At the time of writing this is estimated at a reduction in income of over £45,000.

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.

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



.....
Anna Lodge
Chair

Date: 26th June 2020

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 2019 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 2019 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.

Material uncertainty related to going concern

We draw attention to note 1 in the financial statements, which indicates that the continuance of society’s main project the re-development of the former Dairy Crest site in Totnes under a Community Right to Build Order is uncertain and the society’s subsidiary The King Edward VI College Site Foundation may not have sufficient resources to fund ongoing and unplanned maintenance costs or re-development works. As stated in note 1, these events or conditions, along with other matters as set forth in note 1, indicate that a material uncertainty exists that may cast significant doubt on the group’s and society’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Totnes Community Development Society Limited

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 12, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as 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

29 June 2020

Totnes Community Development Society Limited

Consolidated Statement of Financial Activities

Year Ended 31 December 2019

	Notes	Restricted Fund £	Funds General £	Total 2019 £	Restricted Fund £	Funds General £	Total 2018 £
Income from:							
Donations and grants	2	326,967	580	327,547	121,929	1,441	123,370
Charitable activities	3	-	700	700	-	-	-
Other trading activities		-	99,460	99,460	-	96,610	96,610
Other		-	3,090	3,090	-	6,241	6,241
Total income		326,967	103,830	430,797	121,929	104,292	226,221
Expenditure on:							
Raising funds							
Trading activities							
Charitable activities	5/6	(320,536)	(101,807)	(422,343)	(120,045)	(186,432)	(306,477)
Total expenditure		(320,536)	(101,807)	(422,343)	(120,045)	(186,432)	(306,477)
Transfer between funds							
Net income/(expenditure) and net movement in funds		6,431	2,023	8,454	1,884	(82,140)	(80,256)
Reconciliation of funds:							
Total funds brought forward		157,245	1,424,895	1,582,140	155,361	1,507,035	1,662,396
Total funds carried forward		163,676	1,426,918	1,590,594	157,245	1,424,895	1,582,140

The notes on pages 18 to 28 form part of these financial statements.

Totnes Community Development Society Limited

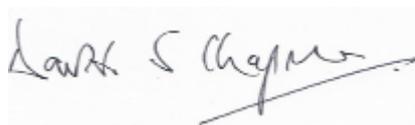
Balance Sheet

31 December 2019

	Notes	2019 £	Group 2018 £	2019 £	Society 2018 £
Fixed assets					
Tangible fixed assets	10	1,500,000	1,500,000	-	-
		<u>1,500,000</u>	<u>1,500,000</u>	<u>-</u>	<u>-</u>
Current assets					
Debtors	11	736,181	723,527	729,002	704,658
Cash at bank and in hand		61,003	44,792	44,359	8,839
		<u>797,184</u>	<u>768,319</u>	<u>773,361</u>	<u>713,497</u>
Creditors - Amounts falling due within one year	12	(706,590)	(686,179)	(676,329)	(625,154)
		<u>90,594</u>	<u>82,140</u>	<u>97,032</u>	<u>88,343</u>
Net current assets					
		<u>90,594</u>	<u>82,140</u>	<u>97,032</u>	<u>88,343</u>
Total net assets		<u>1,590,594</u>	<u>1,582,140</u>	<u>97,032</u>	<u>88,343</u>
Funds					
Unrestricted funds	13	1,426,918	1,424,895	(66,644)	(68,902)
Restricted fund	13	163,676	157,245	163,676	157,245
	14	<u>1,590,594</u>	<u>1,582,140</u>	<u>97,032</u>	<u>88,343</u>

The notes on pages 18 to 28 form part of these accounts.

Approved by the Directors on 26th June 2020 and approved on their behalf by:-



.....
David Chapman
Director

Totnes Community Development Society Limited

Notes and Accounting Policies

Year Ended 31 December 2019

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 2019) – (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**

Society

The largest project being undertaken by the Society is the re-development of the former Dairy Crest site in Totnes under a Community Right to Build Order.

As noted in the directors' report, on 17 January 2020 Eversheds Solicitors notified the Society that Saputo (Dairy) UK had exchanged contracts with another party (Fastglobe (Mastics) Ltd) and requested return of the keys for the site from the Society.

Despite several attempts by the Society to seek meetings with the Saputo (Dairy) UK and Fastglobe (Mastics) Ltd., as of the writing of this report no meetings have taken place and Fastglobe (Mastics) Ltd., have only just responded to the Society requesting that the Society speak with agents Bruce Gillies Ltd. The Society has set out to both Saputo (Dairy) UK and Fastglobe (Mastics) Ltd. that it is seeking to pursue its legal interest in the site and is also seeking to ensure that the statutory undertakings and planning obligations that exist on the site are appropriately handed over whilst the Society pursues its interest.

Given the above there is significant uncertainty whether the Society will be able to continue with this project. If the project were unable to proceed the costs currently included in prepayments totalling £688,929 may not be recoverable and the future of the Society may be called into question. Total pre-development expenditure on the Atmos project, including the amount within prepayments totals £1,106,061 at 31 December 2019.

The directors believe that the project will restart when Fastglobe (Mastics) Ltd. conclude they cannot undertake development as they would have hoped, and this will be a delay only and hence the Society is a going concern for the foreseeable future.

The King Edward VI College Site Foundation

Maintenance

As noted in the directors' report, the fabric and condition of the Mansion has continued to deteriorate as a result of the lack of investment and preventative maintenance over a significant number of years prior to the transfer of the building into community ownership.

Totnes Community Development Society Limited

Notes and Accounting Policies

Year Ended 31 December 2019

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

As a consequence of continued higher than projected expenditure and the need to carefully manage cashflow due to income fluctuations Trustees have had to prioritise maintenance work on the Mansion. Maintenance work that is required to ensure legal/statutory compliance is prioritised. Given this there are a growing number of maintenance needs that are not being met.

Redevelopment and refurbishment

A full and detailed Options Appraisal has been completed which considers the options for the future of the Mansion, including the proposed refurbishment and redevelopment of parts of the Mansion, to achieve financial and social sustainability whilst recognising the importance of the asset.

At the time of the approval of the accounts the Foundation is still seeking to secure funds to complete the final elements of pre-development work required to submit applications for planning and Listed Building consents.

The Foundation has approached a number of funders who have indicated that whilst they are supportive of the aims of the project, they are not able to support with funding as there is not sufficient deprivation in Totnes. The Foundation has also approached a number of investors regarding the use of loan finance. Whilst they are all interested in providing capital finance for the refurbishment and development work, based on the long term business model and business plan, none are prepared to offer a facility to cover the final pre-development work required to get the project into planning. Without completing this final pre-development work it will not be possible to get the consents in place necessary to undertake the work.

As a consequence, combining this with the current lockdown position, means that Trustees are now having to consider the possibility of closing the Mansion and the charity permanently. Whilst Trustees are of the view that it will be possible to maintain the current holding position for the Mansion whilst the lockdown is in place, the impact of the lockdown may be significant in terms of further unforeseen maintenance issues once it is fully opened again. In addition it is felt that sessional use is likely to significantly reduced when the building opens again particularly if social distancing measures remain in place as hire use of the Mansion is often also focussed on vulnerable people (for example older people) who are likely to be affected by social distancing measures for the longest period of time. Given that sessional hire is likely to be impacted once the Mansion opens again there is likely to be a need to consider the phased opening of the building. This would mean that the most vulnerable parts of the building from a maintenance and repair issue remain closed. It may be that these spaces would need to remain closed until the refurbishment work has taken place.

The trustees believe that although there is a significant level of uncertainty about the ability of the Foundation to fund ongoing and unplanned maintenance costs and to secure funding for redevelopment works they will be able to put sufficient finance in place to meet these needs and hence that they will not be forced to close the Mansion and the Foundation is a going concern for the foreseeable future.

Totnes Community Development Society Limited

Notes and Accounting Policies

Year Ended 31 December 2019

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

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.

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.

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.

Totnes Community Development Society Limited

Notes and Accounting Policies

Year Ended 31 December 2019

1 Accounting Policies *(continued)*

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.

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 £688,929 (2018: £676,371). 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.

Total pre-development expenditure on the Atmos project, including the amount within prepayments totals £1,106,061 at 31 December 2019.

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

	2019 £	2018 £
Unrestricted funds	580	1,441
Restricted funds	326,967	121,929
	<u>327,547</u>	<u>123,370</u>

3 Income from charitable activities

	2019 £	2018 £
Community Development	700	-

Totnes Community Development Society Limited

Notes and Accounting Policies

Year Ended 31 December 2019

4 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:

	2019
	£
Income	115,908
Expenditure	(116,143)
	<u> </u>
Income/Expenditure	(235)
	<u> </u>

The Mansion expenditure can be analysed as follows:

Direct Building Maintenance	£86,641
Business Rates	£4,841
Other expenditure	£24,661

The aggregate of the assets, liabilities and funds was:

Assets	1,525,437
Liabilities	(31,875)
	<u> </u>
Funds	1,493,562
	<u> </u>

Charity Registration Number 1174184

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

Trustee Totnes Community Development Society and the directors of the society

The financial period end of the subsidiary is 31 December, the above figures relate to the period ended 31 December 2019.

5 Charitable Activities by activity type

	Activities Undertaken Directly	Support Costs	Total 2019	Total 2018
	£	£	£	£
Regeneration of Dairy Crest Site	304,213	-	304,213	146,926
Community Development	-	-	-	-
King Edward VI College Site Foundation	118,130	-	118,130	159,551
	<u>422,343</u>	<u> </u>	<u>422,343</u>	<u>306,477</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Totnes Community Development Society Limited

Notes and Accounting Policies

Year Ended 31 December 2019

6 Charitable Activities by fund type

	Unrestricted Funds £	Restricted Funds £	Total 2019 £	Total 2018 £
Regeneration of Dairy Crest Site	-	304,213	304,213	96,569
Community Development	-	-	-	-
King Edward VI College Site Foundation	101,807	16,323	118,130	159,551
Support Costs	-	-	-	50,357
	<u>101,807</u>	<u>320,536</u>	<u>422,343</u>	<u>306,477</u>

7 Support Costs

Support costs (including governance costs) comprise:

	2019 £	2018 £
Office rent and utilities	-	10,093
Office and administration costs	-	33,007
Bank charges	-	60
Governance costs	-	7,197
	<u>-</u>	<u>50,357</u>

8 Net income/expenditure for the year

This is stated after charging:

	2019 £	2018 £
Accountancy fees	11,047	4,677
Audit fees	12,060	6,600
	<u>23,107</u>	<u>11,277</u>

Totnes Community Development Society Limited

Notes and Accounting Policies

Year Ended 31 December 2019

9 Staff costs

Total staff costs for the year ended 31 December 2019 were:

2019 £	2018 £
29,166	28,365

The society employed two members of staff.

10 Fixed Assets - Tangible

Group

	Land and Buildings £
Cost or valuation	
At 1 January 2019	1,500,000
Acquisitions	-
At 31 December 2019	<u>1,500,000</u>
Depreciation	
At 1 January 2019	-
Charge for year	-
At 31 December 2019	<u>-</u>
Net book value	
At 31 December 2019	<u>1,500,000</u>
At 31 December 2018	<u>1,500,000</u>

Land and buildings comprise the Mansion in Totnes. Its value on acquisition is based on an existing use valuation prepared by an independent valuer.

Totnes Community Development Society Limited

Notes and Accounting Policies

Year Ended 31 December 2019

11 Debtors	Group		Society	
	2019 £	2018 £	2019 £	2018 £
Amounts due within one year:				
Trade debtors	35,848	30,444	31,997	26,888
Prepayments and accrued income	700,259	691,470	697,005	677,770
Other Debtors	74	1,613	-	-
	<u>736,181</u>	<u>723,527</u>	<u>729,002</u>	<u>704,658</u>
12 Creditors				
Amounts falling due within one year:				
Trade creditors	76,280	57,908	62,062	26,321
Other creditors	540,101	555,593	541,638	541,402
Accruals and deferred income	90,209	72,678	72,629	57,431
	<u>706,590</u>	<u>686,179</u>	<u>676,329</u>	<u>625,154</u>

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

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 2021.
2. a loan from Venturesome of £70,000. The 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 further extended by Venturesome to 31 December 2020.
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. This loan is due for repayment at the latest of 5 April 2020, however an extension has been agreed to 30 June 2021.
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 was repayable at the latest of 30 June 2019, however a further extension has been agreed to 30 June 2021.

Totnes Community Development Society Limited

Notes and Accounting Policies

Year Ended 31 December 2019

13 Restricted Funds

The income funds of the Society include restricted funds. At 31 December 2019 there were restricted funds of £163,676 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 2019 was £44,890.

14 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	112,355	310,644	(304,213)	-	-	118,786
Restricted funds	-	16,323	(16,323)	-	-	-
The Mansion Trustee Fund	44,890	-	-	-	-	44,890
Unrestricted fund:						
Share capital	146	231	-	-	-	377
General	1,515,302	99,460	(101,807)	-	-	1,512,955
Regeneration of Dairy Crest Site	(90,553)	4,139	-	-	-	(86,414)
Total	1,582,140	430,797	(422,343)	-	-	1,590,594
Analysis of Fund movements						
– previous 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
Restricted funds:						

Totnes Community Development Society Limited

Notes and Accounting Policies

Year Ended 31 December 2019

15 Analysis of Net Assets Between Funds – current year

Group	Restricted Funds £	Unrestricted Funds £	Total 2019 £
Tangible fixed assets		1,500,000	1,500,000
Current assets/liabilities	163,676	(73,082)	90,594
	<u>163,676</u>	<u>1,426,918</u>	<u>1,590,594</u>

Analysis of Net Assets Between Funds – previous 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>

16 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 Group Plc 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 were 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.

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Notes and Accounting Policies

Year Ended 31 December 2019

In April 2019 Dairy Crest Group Plc (now Saputo (Dairy) UK, who completed their acquisition of Dairy Crest Group Plc in April 2019) and TCDS jointly commissioned Jones Lang Lasalle to undertake a whole site valuation to determine the land value for the site and the value of the contract for sale of the site.

In September 2019 Saputo (Dairy) UK agreed the sale of former Totnes Creameries site to TCDS for the opportunity value of £460,000 presented in the valuation undertaken by Jones Lang Lasalle, with an overage on the land area set aside for the retirement housing (the land formerly to be purchased by McCarthy and Stone). Saputo (Dairy) UK instructed Eversheds Solicitors to draw up the Overage Agreement:

The Overage Agreement, which only applies to the land previously contracted to McCarthy and Stone (which now has consent for 37 flats), and which is to be applied for 20 years from and including the date of the Agreement, calculates the additional consideration as follows:

Where the Disposition is not of a Residential Unit or Units the Additional Consideration will be calculated in accordance with the following formula:

$$AC = 0.9 (RLA \times (OMV - GD) / PLA)$$

Where the Disposition is of a Residential Unit or Units the Additional Consideration will be calculated in accordance with the following formula:

$$AC = 0.9 (R \times (OMV - GD) / N)$$

Where:

- AC is the Additional Consideration;
- RLA is the gross external area of the Disposal Property in square metres measured in accordance with the Measurement Code;
- GD is the Gross Development;
- OMV is the higher of:
 - (i) the Open Market Value of the Disposal Property per square metre; and
 - (ii) on a Disposition, the price per square metre obtained by the Buyer for the Disposal Property;
- PLA is the gross external area of the Property in square metres measured in accordance with the Measurement Code.
- R is the number of Residential Units the subject of the Disposition
- N is the number of Residential Units

17 Related party transactions

During the year the society charged service charges and recharged expenses to its subsidiary The King Edward VI College Site Foundation totalling £69 (2018 - £28,547). At 31 December 2019 £1,614 (2018 - £1,612) was due to the society's subsidiary.