



TRUSTEES' REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2020

Company Number: 07603317
Charity Number: 1142426

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Registered office:
The Foundry
17 Oval Way
London
SE11 5RR

Registered company number
07603317
Registered Charity number
1142426

TRUSTEES, OFFICERS AND ADVISERS

Chair

Baroness Eaton DBE *to 24.05.21*
Interim Chair

Ms. Sue Chalkley OBE *from 09.07.21*

Trustees

Rev Dr Richard Sudworth

Rt Revd Richard Atkinson OBE *to 28.05.20*

Mr Brian Carroll *to 28.05.20*

Rt Revd Mark Davies *to 28.05.20*

Professor Francis Davis *to 28.05.20*

Revd Dr Anderson Jeremiah *to 01.08.20*

Revd Canon Denise Poole *to 28.5.20*

Revd Mark Poulson *to 24.05.21*

Canon Guy Wilkinson *to 24.05.21*

Revd Dr Malcolm Brown *from 09.12.20*

Ms. Sue Chalkley OBE *from 09.12.20*

Ms. Rachel Whittington *from 09.12.20*

Revd Jessica Foster *from 24.05.21*

Revd Catherine Allison *from 24.05.21*

Katie Hodgkinson *from 24.05.21*

Revd Rogers Govender *from 24.05.21*

Faith Advisory Panel

Darcy Biddulph

Revd Dr Richard Sudworth

Rabbi Nicky Liss

Dan Bacall

Sarwat Tasneem

Imam Qari Asim

Muna Chauhan

Sanjay Jagatia

Navdeep Singh

Manchandan Kaur Sandhu

Principal Officers

Tony Edwards

Interim Executive Director
from 30.11.19 to 01.06.20

Rachel Whittington

Executive Director *from 01.06.20*

Elizabeth Cernelley

Programme Director

Advisers

Bankers

National Westminster Bank Plc

Westminster Branch
PO Box 3038
57 Victoria Street
London SW1H 0HN

Auditors

Mazars LLP

6 Sutton Plaza
Sutton Court Road
Sutton
Surrey SM1 4FS

Solicitors

Legal advice is provided by:

Anthony Collins Solicitors LLP

134 Edmund Street
Birmingham B3 2ES

INTRODUCTION FROM THE TRUSTEES

2020 was an extraordinarily difficult year for everyone. No one has been untouched by the consequences of the pandemic. However, it is clear that the impact of the pandemic has hit some communities harder than others, with whom many of which Near Neighbours is pleased to work. It is a testimony to the rootedness of Near Neighbours in diverse, local communities that 2020 witnessed a deepening of its portfolio despite the constraints of lockdown, mobilising 429 new volunteers and over 46,000 volunteer hours.

The DNA of Near Neighbours is its rich understanding of the complexities of religious and culturally diverse communities. The goal of community cohesion is one that is not served by doing to different groups, but rather in working with. This involves local knowledge, and attention to the breadth within communities, dispositions and skills that are integral to Near Neighbours. 2020, more than any other year, has perhaps underlined for us that locally enabled, diverse communities are the primary agents of transformation for the common good. The core stream of small grants funding that Near Neighbours administers is part and parcel of that ethos, where the injection of extra funds is fundamentally about resourcing and dilating pre-existing expertise and good practice. The Leadership for Effective Change programme is just one of the new initiatives that has been vital in identifying and equipping leaders able to respond to the changes that we have been facing as a society over the last year.

Baroness Margaret Eaton, chair of Near Neighbours until May 2021, reflected on the valuable work of Near Neighbours over this challenging year:

The credibility and authority that Near Neighbours has in its work of bringing communities of difference together are largely due to our staff and hubs. In adapting to the challenges posed by lockdown, they have demonstrated initiative and creativity, often working under immense pressure, and we are immensely grateful to them. We are also indebted to our trustees who have provided considerable strategic leadership in this challenging context, and to the Faiths Advisory Panel, who give us added accountability to the vision of Near Neighbours as an organisation that serves communities across faiths and beliefs.

2021 sees Near Neighbours building on its track-record of delivery with and to local, diverse communities with enhanced responsibilities emerging out of the covid crisis. On this 10th anniversary since the foundation of Near Neighbours, we are proud to continue the work of partnerships that deliver bottom-up transformations across religious and cultural difference.

Richard Sudworth, Trustee

July 2021

REPORT OF THE TRUSTEES FOR THE YEAR TO 31 DECEMBER 2020

The Trustees present the Annual Report and Financial Statements of the charity for the year ended 31 December 2020. The Financial Statements have been prepared in accordance with the accounting policies set out in Note 1 to the Financial Statements and comply with the Memorandum & Articles of Association, the Companies Act 2006 and Charities Act 2011, and Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their Financial Statements in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland effective 1st January 2019.

OBJECTIVES AND ACTIVITIES

Near Neighbours was created by Church Urban Fund (CUF) and the Archbishops' Council of the Church of England following the award of £5m by the Ministry of Housing, Communities and Local Government's (MHCLG – formerly Department of Communities and Local Government) in March 2011. Since then, further grants have been received and the programme is currently funded until March 2022, principally by MHCLG, with the funding renewed in early 2021.

The Near Neighbours programme works to bring people together who are neighbours in communities that are religiously and ethnically diverse, so that they can get to know each other better, build relationships of trust and collaborate on initiatives that improve the local community they live in.

The charity aims to strengthen personal relationships and at the same time strengthen civil society, to create a more cohesive society where people live together respecting the differences they have with others and building a flourishing life together.

The programme operates in ten diverse regions of England including Birmingham, the Black Country, East Midlands, Luton, Peterborough, East London, West London, West Yorkshire, Greater Manchester and Lancashire. Near Neighbours works with a number of national partners in these regions who provide expertise through their focused work.

Our main objectives:

- **Social Interaction** – by building personal relationships of trust, so that people understand each other better. We work with people of all faiths and none, with the aim to develop positive relationships that provide a foundation for people to work together.
- **Social Action** – by building up civil society across divides of faith and ethnicity. We provide the opportunity for people to come together and work on creating positive change in their neighbourhood.

There are currently four main strands to the Near Neighbours work:

- **Near Neighbours Hubs and Partners:** Building diverse and resilient relational networks amongst faith and community groups across different faiths and ethnic backgrounds, and equipping leaders for effective collaboration and community engagement, including women and young people of all backgrounds.
- **Near Neighbours Small Grants:** Bringing people together to develop, lead and participate in local projects that involve people of different faiths and ethnicities to improve communities through the provision of grants of between £250 and £5,000.

- **Catalyst:** A leadership programme that equips young people from diverse backgrounds by building their skills and capacities to be leaders and influencers in a multi-ethnic and multi-faith society.
- **Real People, Honest Talk:** Creating safe spaces to address difficult local issues, through facilitated community-based conversations.

We also support the work of **Places of Welcome**, building a network of local centres where people find support and a warm welcome, and can contribute and participate.

REVIEW OF 2020

This has been a very difficult year for many community groups and leaders. The restrictions of lockdown, plus the added caring responsibilities and personal griefs that have come as a result, have greatly reduced people's capacity to meet and come together for the benefit of their community. And yet, the need has significantly increased as people have suffered isolation, anxiety and financial hardship as a result of the pandemic.

Throughout this time, Near Neighbours has continued to work in close partnership with faith and community leaders and community groups to support them to adjust, continue and grow their important work. Coordinators have focused on supporting **local Covid-response work**, helping community leaders to respond to issues and uncertainties in their community arising from the pandemic, supporting small groups and organisations to apply for and secure grants, continuing to develop their partnerships and local networks, and running online events and training sessions in response to local needs and opportunities. Thanks to the consolidated network of relationship with local groups, many NN coordinators have become a reliable point of contact for Local Authorities, NHS Trusts and other agencies for coordinating and connecting faith and community groups during the pandemic.

Despite the difficulties of the past twelve months, we have succeeded in meeting all targets set at the start of this year. We have developed 398 new partnerships, mentored 297 projects and held 181 leadership training events. Over the year, Near Neighbours has mobilised a total of 1,525 volunteers, including 429 new volunteers, and has facilitated a total of 45,442 volunteer hours.

A significant challenge this year has been the reality of transitioning all training programmes and events online: many informal occasions to connect at events (before the official start, during breaks, at lunch) are missed when the events are delivered online, and, in addition, people feel that they do not really "meet" other people online, as they do in person. In addition, due to the national lockdown, we have only been able to run 4 **Catalyst programmes for young leaders** this year. Three were held at the beginning of the year, including a residential programme for young people with hearing impairment in Peterborough and only one later in the year, in October 2020 in collaboration with the Somali Bravanese Welfare Association in Barnet (West London hub). We trained a total of 76 participants.

Real People Honest Talk was also greatly impacted as one of the key features of the programme is to bring people together and create opportunities for discussion and collaboration. We were able to organise 36 small conversations in Manchester, Kirklees and Dudley, and only two big conversations, as the event in Dudley in mid-March had to be cancelled because of the lockdown.

However, a total of 181 **leadership training events** have been held over the year, at least half of which of which directly challenged intolerance and extremism. 58% of participants were women; 29% were young people – exceeding our targets in both areas.

This total includes a pilot of the **Leadership for Effective Change (LEC)** programme where the same group met over six weeks, establishing deeper relationships resulting in greater impact in terms of confidence to make changes and generating new opportunities. In Nottingham, the Coordinator has been able to build strong relationships with nine organisations through LEC. As a result of this, a partnership between the Vine Community Centre and a number of the participants in the training course developed and they are now working together to support refugees and asylum seekers, providing dance classes to community groups, promoting training programmes and joining together to apply for funding for Windrush projects.

Finally, over the year we distributed **95 small grants** with data indicating that NN is reaching a highly diverse group of people, across all demographic indicators. This reflects the strength of NN Coordinators' relationships across a wide range of community groups. By providing mentorship and support to these individuals, building their skills in applying for grants, and supporting the implementation of successful applicants, NN is increasing the diversity of civil society at the grassroots level.

We engaged with over 10,000 people through the grants programme. Furthermore, the average turnaround time for a grant application was just nine days, meaning we more than achieved our target of reducing the turnaround time from three weeks to two weeks.

Grants awarded included an online celebration event for International Women's Day in Luton, a free after-school club to be held once a week in West London, a cross-cultural participatory music programme in East London, and a series of workshops/seminars about discrimination, prejudice, unconscious bias, community-building, media coverage and Black Lives Matter in the Black Country.

There were four focus areas for small grants projects:

1. *Marginalised Women and Girls*

Kairos, Nottingham - Kairos is a lesbian & bisexual immigration support group for women offering emotional and practical support. They ran 12 weekly online Zoom art workshops to create a Zine, representing their experience of lockdown, using the process as a therapeutic medium for mindfulness, self-expression & sharing, building friendship. These sessions allowed group members to explore, experiment and use art materials, never used before. They engaged in watching demonstrations and making progress at their own pace. Friendships and confidence in expressing themselves developed.

2. *Vulnerable Young People*

The Leicester Kids Covid Relief Family Cooking project – This project aimed to bring together a diverse range of children and families on the backdrop of the covid pandemic. The aim has been to allow respectful relationships to develop whilst learning about the range of backgrounds of Leicester youngsters, create, share and sample culturally diverse recipes, allow befriending opportunities and improvement in skills. 16 children with parents were participants of the project from backgrounds including Japan, China, English, Barbados, Antigua, Ukraine, Poland, Jamaica, Sierra Leone, and India. Faiths of participants included non-faith, Christian, Sikh and Hindu. The project aimed to enhance inter-generational wellbeing of children and families, through assistance their child's safe cooking with ingredients & by regular coming together. The

success of this and other projects means they will now undertake work to develop their grassroots project into a formal charity for the good of communities, seek to develop relationships and provide an ongoing platform in which youngsters may guide the direction of related projects.

3. *Social Divisions and Tensions*

ReflecTeen Hub, Manchester - is a Manchester-based organisation that works to combat youth violence fuelled by social deprivation, knife crime and fractured communities. Their 'It Takes Communities Project' was a community-based violence prevention programme raising awareness on the issues with community consultation on violence reduction strategies. There were participants from parts of Greater Manchester, Ward councillors, representatives from faith groups, the GMP, VRU and scholars from Salford University. Young people present at the youth hangout weekly sessions described the project as empowering. One young person said: 'I was unaware of how my action impacts others making me at risk of becoming caught up in violence. I am so glad I attended the community event and did the mentoring programme.'

4. *Combatting Loneliness / Promoting Connectedness*

Vanclaron CIC, Nottingham - Through the Art-full wellbeing project, Vanclaron CIC in Nottingham used creative 1-hour online sessions to allow participants to use arts as emotional release, improve wellbeing, and break isolation by connecting with each other and learning a new skill in line with the NHS's 5 ways to wellbeing. The sessions were delivered in three 4-week sessions of 10 clients per session. Participants were mostly in the age range of 20 – 60 and across several ethnic minority and faith communities. Through their experiences and client feedback they have developed 'connected communities' which is a selection of other online activities which are run by volunteers and have proved to be very popular.

FUTURE PLANS

As a team, we are greatly looking forward to restrictions easing and community activity resuming in person. We will continue to support our partners to deliver their valuable work and respond to the long-term effects of the pandemic in their communities.

Building on the existing networks and the connections with many faith communities and minority ethnic groups, we will support the government drive to increase vaccination intake amongst those communities and groups that are more reluctant to get vaccinated. We will also renew our offer of training courses and resources to help community organisations affected by the Covid-19 pandemic become more resilient.

Going Concern

The trustees have considered the activities, together with the factors likely to affect its future development, performance and financial position to determine whether Near Neighbours financial statements can be prepared on a going concern basis. The forecasts and projections, taking account of reasonably possible changes in charity performance and the potential impact of the Covid-19 coronavirus, show that the charity should be able to operate within the level of forecast cash resources.

It is recognised that Near Neighbours benefits from regular and significant funding from MHCLG and whilst the trustees have reason to believe this funding will continue throughout 2022, at the date of

approval of these financial statements there is indication, but no written confirmation, that this is the case. In light of this matter, Near Neighbours has received a letter of support from its parent company, Church Urban Fund (CUF), that in the event of funds not materialising CUF will support the activities of Near Neighbours in the short term to ensure that it continues as a going concern. This has been done on the basis that activities deemed to be essential to the continuation of the NN network support the overall mission of the CUF group including the retention of key staff working on the NN programme.

DELIVERING PUBLIC BENEFIT

Near Neighbours brings people together in diverse communities, helping them to build relationships and collaborate to improve the local community in which they live. Near Neighbours also financially supports and works with a wide range of community and faith organisations, all of which are working to bring communities together.

The Trustees have reviewed the guidance on public benefit issued by the Charity Commission each year and consider that Near Neighbours' aims and activities, as set out above, fulfil the criteria. The Trustees do not anticipate any future change to this operational approach.

STRUCTURE, GOVERNANCE AND MANAGEMENT

Governing Documents

Near Neighbours is both a company limited by guarantee (Registration Number 07603317) subject to the Companies Act 2006 and a charity registered with the Charity Commission (Charity Number 1142426). It is governed by its Memorandum and Articles of Association dated March 2011.

Governance Structure

The Directors of the company are known as Trustees. The Articles of Association allow for up to thirteen Trustees, six being nominated by the Archbishops' Council and seven by CUF. The Trustees meet four times during the year to review strategy and operational and financial performance in conjunction with the Executive Director and Programme Director. The Trustees are listed on page 2 of this report.

None of the Trustees receive any remuneration or benefits from Near Neighbours. Expenses reclaimed by the Trustees during the year are set out in note 5 to the Financial Statements.

Trustee Induction and Training

All Trustees on appointment receive a detailed briefing on the Memorandum & Articles of Association, the objectives of the programme and the agreements with CUF, the MHCLG and delivery partners.

Trustees are also given the opportunity to visit projects and are kept abreast of developments at each Board meeting through a detailed progress report by the Programme Director and a cycle of presentations by partners.

Management and Organisational Structure

The day-to-day management and delivery of the Near Neighbours programme is delegated to the Executive Director of CUF and the Programme Director who is managed by the Executive Director. The Programme Director works closely with other members of CUF's staff team (its ultimate parent company). Formal reporting by the Programme Director to the Board takes place regularly throughout

the year.

Principal Risks

The trustees have considered the key potential risks facing the Near Neighbours programme and how they are managed which are outlined below:

Potential Risk	Management
Failure to secure long-term future funding for the Programme	Diversifying our income streams by pursuing a number of different funders Major grant funders are actively managed by CUF
Loss of key relationship including local partnership and influencers	Management by CUF and overseen by the board of Trustees
Reputational risk from adverse publicity	Advice and support available from CUF and through the Church of England Local and national media coverage are monitored on an ongoing basis Robust agreements in place providing clarity on expectations and delivery

Key Management Personnel Remuneration

The Trustees consider that the Board of Trustees, the Executive Director and the Programme Director comprise the key management personnel of the charity in charge of directing, controlling, running and operating the charity on a day-to-day basis. All Trustees give their time freely and none of the Trustees received remuneration in the year. Details of expenses reclaimed are set out in note 5 to the Financial Statements and related party transactions are disclosed in note 12 of the accounts.

The salary of the Programme Director is reviewed annually and normally increased in accordance with inflation. In view of the nature of the charity, the Trustees benchmark against pay awards in similar charitable organisations. The Trustees of CUF set the salary of the Executive Director as the role is shared between several charities, following a similar process.

Small Company Exemption

The company has taken advantage of the small company exemption, as it is within the threshold criteria. The accounts have been prepared in accordance with the special provision contained in the Companies Act.

FINANCIAL REVIEW

Income

Income for the year to 31st December 2020 was £0.9m (2019: £1.96m), a decrease from the previous year. Income was largely received from Ministry of Housing Communities and Local Government, as well as other trusts restricted to the Near Neighbours programme.

Expenditure

The total expenditure on the three charitable activities was £1.0m (2019: £1.95m). The charitable activities together with their associated expenditure for the period are:

- **Building Networks:** £539k (2019: £600k) this expenditure principally reflects the grants to extend the capacity of the Local Presence and Engagement centres, set out in notes 3 and 6 to the accounts.
- **Building Capacity** by these four activities:
 - Faith Leaders - £25k (2019: £128k)
 - Young Leaders - £81k (2019: £127k)
 - Real People Honest Talk - £90k (2019: £266k)
 - Places of Welcome - £13k (2019: £0k)

This expenditure principally reflects the grants to our partners, set out in notes 3 and 6 to the accounts.

- **Creating Engagement:** £253k (2019: £824k) represents Near Neighbours Small Grant Fund, as set out in note 4 to the accounts.

Reserves and Reserves Policy

All reserves are treated as restricted and any reserves held at the year-end represent funds set aside for future programmes. There was a £96k balance in reserves at 31st December 2020 (2019: £197k).

THE TRUSTEES' RESPONSIBILITY FOR PREPARING ANNUAL FINANCIAL STATEMENTS

The law applicable to charities in England and Wales requires the Trustees to prepare annual financial statements for each financial year that give a true and fair view of the Charity's financial activities during the year and state its surplus or deficit for the year and its financial position at the end of that year. In preparing annual financial statements, the Trustees have followed best practice and:

- Selected suitable accounting policies and applied them consistently
- Made judgments and estimates that are reasonable and prudent
- Followed applicable Accounting Standards and Statements of Recommended Practice
- Prepared the annual financial statements on the going concern basis.

The Trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Charity and enable them to ensure that the accounts comply with the Companies Act 2006. They are also responsible for safeguarding the Charity's assets and for taking reasonable steps to prevent and detect fraud and other irregularities. The Trustees have overall responsibility for ensuring that the Charity has appropriate systems of control, financial and otherwise.

Each of the trustees at the date of approval of this report confirms that:

- So far as the Trustees are aware, there is no relevant audit information of which the Charity's auditors are unaware and
- The Trustees have taken all the steps that they ought to have taken as Trustees to make themselves aware of any relevant audit information and to establish that the Charity's auditors are aware of that information.

Auditors

A proposal for Mazars reappointment will be put to the Board in 2021.

Approved by the Trustees on 7 September 2021 and signed on their behalf by:



Sue Chalkley OBE, Chair of Trustees

Independent auditor's report to the members of Near Neighbours

Opinion

We have audited the financial statements of Near Neighbours (the 'charity') for the year ended 31 December 2020 which comprise the Statement of Financial Activities, the Balance Sheet, the Statement of Cash Flows 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 FRS 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 Charity's affairs as at 31 December 2020 and of its income and expenditure for the year then ended.
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the charity in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions related to going concern

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

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

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

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 trustees 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 course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Trustees' Report which includes the Directors' Report prepared for the purposes of company law, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report included within the Trustees' Report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Charity and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' Report included within the Trustees' Report.

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

- adequate and proper accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specific by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the trustees were not entitled to prepare the financial statements in accordance with the small companies' regime and take advantage of the small companies' exemption in preparing the Trustees' Report and from the requirement to prepare a Strategic Report.

Responsibilities of Trustees

As explained more fully in the trustees' responsibilities statement set out on page 11, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Based on our understanding of the charity and its activities, we identified that the principal risks of non-compliance with laws and regulations related to the Charities Act 2011, UK tax legislation, pensions legislation, employment regulation and health and safety regulation, anti-bribery, corruption and fraud, money laundering, non-compliance with implementation of government support schemes relating to Covid-19, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements, such as the Companies Act 2006 and the Charities Statement of Recommended Practice.

We evaluated the trustees' and management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, in particular in relation to use of restricted and endowment funds, and significant one-off or unusual transactions.

Our audit procedures were designed to respond to those identified risks, including non-compliance with laws and regulations (irregularities) and fraud that are material to the financial statements. Our audit procedures included but were not limited to:

- Discussing with the trustees and management their policies and procedures regarding compliance with laws and regulations;
- Communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- Considering the risk of acts by the charity which were contrary to applicable laws and regulations, including fraud.

Our audit procedures in relation to fraud included but were not limited to:

- Making enquiries of the trustees and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

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

Use of the audit report

This report is made solely to the charity's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charity'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 charity and the charity's members as a body for our audit work, for this report, or for the opinions we have formed.

Signed: 
Stephen Mills (Sep 27, 2021 17:26 GMT+1)

Name:

Stephen Mills

for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor
6 Sutton Plaza, Sutton Court Road, Sutton, Surrey, SM1 4FS
Date: 27-Sep-2021

NEAR NEIGHBOURS

STATEMENT OF FINANCIAL ACTIVITIES for the year ended 31st December 2020

		Restricted Funds 2020 £'000	Restricted Funds 2019 £'000
	Notes		
INCOME & EXPENDITURE			
Income from Charitable activities	2	900	1,955
Total Income		900	1,955
Expenditure on Charitable activities:	3		
Building Networks		539	600
Creating Engagement	4	253	824
Building Capacity			
Faith Leaders		25	128
Young Leaders		81	127
Real People Honest Talk		90	266
Places of Welcome		13	0
Total expenditure		1,001	1,945
Net (Expenditure) / Income		-101	10
Total Funds brought forward		197	187
Total Funds carried forward		96	197

The statement of financial activities also complies with the requirements for an income and expenditure account under the Companies Act 2006 and the Financial Reporting Standard (FRS 102). All activities relate to ongoing operations.

The notes on pages 19 to 22 form part of these financial statements.

NEAR NEIGHBOURS

BALANCE SHEET AS AT 31 DECEMBER 2020

COMPANY NUMBER 07603317

	Notes	2020		2019	
		£'000	£'000	£'000	£'000
CURRENT ASSETS					
Cash at bank		22		11	
Amount due from parent charity		93		207	
			115		218
CURRENT LIABILITIES					
Creditors: Amounts falling due within one year	9	19	19	21	21
NET CURRENT ASSETS			96		197
NET ASSETS			96		197
FUNDS					
Restricted Funds	10		96		197
TOTAL FUNDS			96		197

The charity has taken advantage of the small companies exemption as it meets the threshold criteria. The accounts have been prepared in accordance with the provisions applicable to small companies within Part 15 of the Companies Act 2006.

Approved by the Trustees on 2 August 2021 and signed on their behalf by

Sue Chalkley OBE 

The notes on pages 19 to 22 form part of these financial statements.

NEAR NEIGHBOURS

STATEMENT OF CASH FLOWS

for the year ended 31 December 2020

	2020		2019	
	£'000	£'000	£'000	£'000
Reconciliation of net movement in funds to net cash flows from operating activities				
Net (Expenditure) / Income for the reporting period (as per statement of financial activities)		-101		10
Adjustments for:				
Decrease in debtors	114		5	
(Decrease) in creditors	-2		-5	
		112		0
Net cash provided by operating activities		11		10
Change in cash and cash equivalents in the reporting period		11		10
Cash and cash equivalents at the start of the reporting period		11		1
Cash and cash equivalents at the end of the reporting period		22		11

The notes on pages 19 to 22 form part of these financial statements.

NEAR NEIGHBOURS

Notes to the Financial Statements for the year ended 31 December 2020

1. Accounting Policies

a. Basis of accounting

The accounts (financial statements) have been prepared under the historical cost convention with items recognised at cost or transaction value unless otherwise stated in the relevant notes(s) to these accounts.

The financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) approved on 2 October 2019 (effective 1 January 2019) and the Companies Act 2006. The charity constitutes a public benefit entity as defined by FRS102.

The trustees have considered the activities, together with the factors likely to affect its future development, performance and financial position to determine whether Near Neighbours financial statements can be prepared on a going concern basis. The forecasts and projections, taking account of reasonably possible changes in charity performance and the potential impact of the Covid-19 coronavirus, show that the charity should be able to operate within the level of forecast cash resources.

It is recognised that Near Neighbours benefits from regular and significant funding from MHCLG and whilst the trustees have reason to believe this funding will continue throughout 2022, at the date of approval of these financial statements there is indication, but no written confirmation, that this is the case. In light of this matter, Near Neighbours has received a letter of support from its parent company, Church Urban Fund (CUF), that in the event of funds not materialising CUF will support the activities of Near Neighbours in the short term to ensure that it continues as a going concern. This has been on the basis that activities deemed to be essential to the continuation of the NN network support the overall mission of the CUF group including the retention of key staff working on the NN programme.

b. Income recognition

Church Urban Fund receives funds from the Ministry of Housing, Communities and Local Government (MHCLG) which is then passed to Near Neighbour and used to administer the programme in accordance with the agreement between Church Urban Fund and Near Neighbours.

c. Support costs

Support costs comprise of costs relating to statutory audit and legal fees together with an apportionment of general overheads. Support costs relating to charitable activities have been apportioned based on staff time spent on each activity as analysed in note 8.

In addition to the costs incurred directly in the course of each charitable activity, Near Neighbours also incurs support costs that are necessary to enable it to carry out its activities. These costs are apportioned to activities based on the time spent on each.

d. Charitable activities

The costs of charitable activities include grants made, governance costs and an apportionment of support costs as shown in note 3.

e. Grants

Delivery Partners submit quarterly returns against budget before they are paid future funding as unspent amounts in one year would result in a reduction of grant in the next. The grants are charged to the Statement of Financial Activities once funds have been transferred to the recipient's account. Payments are made on behalf of Partners where there is an absence of a operational bank account due to a delay in the setting up of the account.

The grant to Church Urban Fund to administer and make awards under the Small Grants Programme is charged to the Statement of Financial Activities once the funds have been committed.

f. Pensions costs

The charity operates a defined contribution pension scheme, Church Urban Fund Pension Plan with Legal and General. The pension charge represents the amount payable by the charity to the scheme in respect of the year to which they relate and are included within staff costs (note 5).

g. Fund accounting

Restricted funds are funds subject to the specific restrictive conditions imposed by donors.

2. Income from Charitable activities

	2020 £'000	2019 £'000
Income from Charitable Activities - MHCLG via Church Urban Fund	850	1,905
Income from Charitable Activities		
Other Income	50	50
	900	1,955

Income from Charitable Activities - MHCLG via Church Urban Fund represents the grant from the Ministry of Housing, Communities and Local Government (MHCLG) to Church Urban Fund in respect of the Near Neighbours Programme. The grant is passed to Near Neighbours who administers the overall programme based on the agreement between Church Urban Fund and Near Neighbours. Near Neighbours then makes a grant to Church Urban Fund to administer and make awards under the Small Grants Programme - 'Creating Engagement'. In addition Near Neighbours reimburses CUF for other programme costs.

Income from Charitable Activities - Church Urban Fund and Other Income represents funding granted by Church Urban Fund for the Near Neighbours programme.

3. Expenditure on Charitable activities

	Staff Costs £'000 (note 5)	Grants £'000 (note 6)	Other Direct Costs £'000 (note 7)	Support and governance costs £'000 (note 8)	2020 Total £'000	2019 Total £'000
Charitable Activities						
Building Networks: Local Presence and Engagement Centres	107	414	3	15	539	600
Creating Engagement: Small Grants (note 4)	56	187	2	8	253	824
Building Capacity						
Faith Leaders	8	16	0	1	25	128
Young Leaders	54	18	2	7	81	127
Real People Honest Talk	61	19	1	9	90	266
Places of Welcome	12	0	0	1	13	0
Total expenditure	298	654	8	41	1,001	1,945

Support costs have been allocated to activities in proportion to staff time incurred in each activity area.
Total expenditure includes audit fees for the year of £16k (Statutory audit £12k and MHCLG grant audit £4k)
Total for 2019 was £10k (Statutory audit £6k and MHCLG grant audit £4k).

4. Creating Engagement: Small Grants

	2020 £'000	2019 £'000
Grants awarded	198	762
Less writebacks of awards	-11	-11
Net grants awarded	187	751
Other costs (incl. Salaries, travel, evaluation)	66	73
Total Costs	253	824

Writebacks of awards represent grants awarded which have been wholly or partly unclaimed.

5. Staff Costs

	2020 £'000	2019 £'000
Salaries	111	115
Social Security	12	12
Pensions	10	10
	<u>133</u>	<u>137</u>
Staff Costs allocated by Church Urban Fund and reimbursed by Near Neighbours in respect of programme, financial and communications management	116	120
Staff costs for small grants administration	<u>49</u>	<u>59</u>
	<u>298</u>	<u>316</u>

Near Neighbours had 1 full time members of staff (2019: 4).
1 staff emoluments for the year exceeded £60k (2019: nil).

The key management personnel of the charity is comprised of the trustees, the Executive Director and Programme Director.

Key management personnel were remunerated £80k (2019: £79k).

None of the Trustees received any benefits from employment with the charity in the year (2019: nil)

Expenses incurred in attending meetings and on other business of Near Neighbours were reimbursed to Trustees as follows:

	2020 No.	£'000	2019 No.	£'000
Travel, subsistence and other expenses	<u>2</u>	<u>0</u>	<u>3</u>	<u>1</u>

6. Grants

	2020 £'000	2019 £'000
Building Networks: Local Presence and Engagement Centres		
Wellsprings Together, Bradford, Leeds & Dewsbury	46	49
Centre for Theology and Community, London	45	51
Thrive Together Birmingham	47	49
St Philip's Centre, Leicester	30	55
Transforming Notts Together, Nottingham	11	0
Kings Centre, West London	42	49
Transforming Communities Together, Black Country	44	45
Greater Together Manchester, Rochdale & Bury	44	46
Together Lancashire, Burnley	16	50
Grassroots, Luton	46	49
Peterborough	<u>43</u>	<u>51</u>
	414	494
Building Capacity: Faith Leaders		
Christian Muslim Forum	8	22
Nisa Nashim	4	26
Council of Christians & Jews	4	17
Hindu Christian Forum	<u>0</u>	<u>6</u>
	16	71
Building Capacity: Young Leaders		
Catalyst Programme	<u>18</u>	<u>34</u>
	18	34
Building Capacity: Public Space		
Real People Honest Talk	13	201
Leadership for Effective Change	<u>6</u>	<u>0</u>
	19	201
Building Capacity: Community		
Places of Welcome Grant	<u>0</u>	<u>0</u>
	0	0
Creating Engagement: Small Grants (note 4)	<u>187</u>	<u>751</u>
Total Grants	<u>654</u>	<u>1,551</u>

7. Other Direct Costs

	2020 £'000	2019 £'000
Evaluation	0	6
Communications & Development	8	37
Trustees Expenses	0	1
	<u>8</u>	<u>44</u>

8. Support costs

	2020 £'000	2019 £'000
Professional Costs	4	0
Audit	16	10
Office costs	15	2
Travel & Subsistence and Recruitment	6	22
	<u>41</u>	<u>34</u>

9. Creditors (amounts falling due within one year)

	2020 £'000	2019 £'000
Accruals	13	7
Other Creditors	6	14
	<u>19</u>	<u>21</u>

10. Restricted Funds

	Balance at 1/1/20 £'000	Income £'000	Expenditure £'000	Balance at 31/12/20 £'000
Near Neighbours Programme	<u>197</u>	<u>900</u>	<u>1,001</u>	<u>96</u>

All incoming grants are restricted to expenditure on the Near Neighbours programme.

The total net assets of the charity continue to be represented by the single restricted fund.

11. Ultimate Parent Company

The ultimate parent charity is Church Urban Fund, a company and charity registered in England. Copies of the group accounts can be obtained from Church Urban Fund, The Foundry, 17 Oval Way, London SE11 5RR.

12. Related Party Transactions

During the year, Near Neighbours entered into the following transactions with its parent company CUF: CUF received the full amount of grant from MHCLG of £850k (2019: £1.9m) and passed this over to Near Neighbours to deliver the programme.

At the year end, there was £93k (2019: £207k) intercompany balance owed by CUF.

Sue Chalkley OBE is both a trustee of Near Neighbours and Church Urban Fund

Listed below are grants made where there is a commonality of trusteeship as between Near Neighbours and the recipient charity.

All of these grants were made in the normal course of the charity's business in pursuit of its charitable objectives.

Name	Related party/Recipient entity	Trustee of	Grant 2020	Grant 2019
Reverend Canon Denise Poole	Wellsprings Together	NN	£46k	£62k
Reverend Mark Poulson	Trustee of The Kings Centre Southall	NN	£42k	£63k