



**Friends Provident Foundation**  
**Annual Report 2013–14**

# A review of the year

## CHAIR'S REVIEW

This has been another busy year, during which we have worked hard to make sound decisions that take forward our mission – supporting UK economic and financial systems to become more sustainable, resilient and to distribute their benefits more fairly across society.

In the past 12 months our main focus has been on the development of our grant-making programme. **Up to the end of September 2014 we agreed grants totalling nearly £1.2m under our main programme of Building Resilient Economies**, covering both systemic and local work. They are a diverse range of projects, with two common characteristics:

- Our grants enable us to support the **sustainability and resilience** of organisations working to bring about change. It is important that civil society has a voice and can exert pressure at a high level; we see a valuable role for Friends Provident Foundation in supporting the role of civil society in change, and in exploring how civil society can influence and impact the nature of that change.



■ We are giving grants to projects that: explore **new directions**, ask searching questions of institutions, worldviews or established interests; furnish valuable evidence and experience for future developments; and test different ways of supporting resilience at the community level.

Finite resources mean we have to turn down a considerable number of applicants whose work we would also like to fund; this is a constant reminder to us to consider our strategies for realising income from our endowed funds.

In the past year we initiated a thorough **review of our investment strategy**, which will be completed in 2015. We are systematically reviewing how we use our endowed assets to further our mission to encourage the right use of money and to build a more resilient economy. Our next step, beyond ethical investment, is to be more robust in pursuing responsible investment by engaging in discussion with companies about ethical corporate behaviour. We are reviewing the merits of active versus passive management of our assets and the mix of funds, to ensure they reflect our purpose and values. We are convinced this is an important part of demonstrating how we implement the right use of our own money and building a more sustainable, resilient and fair economy.

In addition to our 'headline' work of assessing grant applications and thereafter monitoring and supporting the projects we fund, we contribute actively to many networks. In the past year **staff and trustees have contributed to a wide range of projects, networks and other organisations**. Some have similar interests in sustainability and resilience – such as the Charities Responsible Investment Network – and some reflect our profile in the charitable sector – such as the Association of Charitable Foundations.

Trustees have continued a long-term programme of **strengthening governance within the Foundation**. Making decisions about grant applications requires the major part of Trustees' time in our Board meetings, giving limited time for addressing issues relating to the Foundation's governance. Therefore, in the past year we have reviewed the roles of the Board of Trustees and the General Purposes Committee\* with the intention of creating a clearer

differentiation between them. With two long-serving trustees stepping down in December 2014 we advertised widely for new trustees and were delighted with the number and strength of applications received; we are conscious of the importance of a high-performing Board and the value of a range of views in our decision-making.

Our office is now well established in York. During the year we welcomed Sue Scott as our administrator; since joining us in January 2014 Sue has proved an able administrative anchor in the office. We have appointed new auditors, Sayer Vincent, and these accounts are our first audit cycle with them.

This review gives me the opportunity to publicly thank my colleagues on the Board of Trustees for their committed work over the last 12 months. As 2014 ended we said goodbye to two trustees, Jenny Shellens and Nick Perks, whose expertise and commitment over many years has been important in establishing the excellent reputation of Friends Provident Foundation; we thank them for their service. In January 2015 we welcomed new trustees Joanna Elson and Hetan Shah. The Board as a whole joins me in thanks and appreciation of the work of our staff; the commitment and generosity of spirit they bring to Friends Provident Foundation is, I believe, a core strength in all we do.

*Joycelin Dawes, Chair of the Board of Trustees*

\* The General Purposes Committee, a sub-committee of the Board of Trustees, maintains oversight of administration, mainstream investment and social investment matters.

# The Foundation's first decade

## DIRECTOR'S REVIEW

The Foundation is 10 years old this year. My realisation of this felt rather like the sudden passing of time one experiences when a beloved child achieves a significant milestone. So much has been built and developed in these 10 years:

- Trustees developed a significant programme of giving and mission-related investment – Financial Inclusion – that had a demonstrable impact on policy and practice in the UK between 2004 and 2012.
- The Foundation became a leader in social investment, being one of the first to identify 5 per cent of investible funds for direct investment in line with its mission.
- This was accomplished initially with a staff of less than one full-time equivalent, which increased to 2.5 over the period.
- The Foundation has established sector-leading grant-making and evaluation systems, and has reviewed the use of its investment portfolio.
- It became operationally independent of Friends Life in 2013, building strong strategic links with the company following this change. The Foundation's office and staff are now York-based.



Trustees undertook a strategic review in 2011–12, consulting widely about what the ‘right use of money’ might be in the current market. Key elements that emerged related to the short-term focus of market players, the lack of diversity in the provision of financial services and the fuelling of greater inequality of economic participation and financial services access.

Following that review, Trustees established a new programme of work, **Building Resilient Economies**, to address the instability and inequality that exists in current economic systems.

Over the past 10 years we have benefited from the help and support of so many – including Trustees who set our direction and steered our course: John Whitney, Lyn Wilson, Brian Sweetland, Gillian Pugh, Julia Unwin, Ashley Taylor, Mike Hampton and Diane Coyle; staff who established our systems and shaped our ways of working: Roger Whiffin, Carolyn Channell, Carol Kelman, Fiona Law, Diana Monger and Sue Maddin; and our partners and grant-holders with whom we have worked and from whom we have learned over the past 10 years.

All of these people, projects and activities have brought us to the position of strength we occupy now: with strong Trustee leadership, sound governance and operational systems and an ongoing commitment to excellence and leadership. From here the Foundation is poised to meet the challenges the next 10 years will bring.

*Danielle Walker Palmour, Director*

# Our activities and achievements in the past year

The Foundation's objectives for 2013–14, as specified by Trustees, were:

- 1 **The Foundation will effectively assess, award and manage grants in our new programme, Building Resilient Economies.**

**Achieved:** Up to the end of September 2014 grants totalling nearly £1.2m were agreed.

- 2 **The Trustees will conduct and complete a review of investment objectives, approach and managers over the course of the year, with the aim of making the Foundation's investments more impactful.**

**Under way:** A wholesale review of the Foundation's investment approach, beliefs and processes is under way and will continue in 2015.

- 3 **Trustees will define the scope of a review of Foundation governance arrangements to ensure they are fit for purpose.**

**Achieved:** A review of the Foundation's governance documentation was undertaken and was reviewed by Trustees in May 2014; work to shape the relationship between the General Purposes Committee and the main Board of Trustees was considered in December 2014.



- 4 Staff and Trustees will complete the full transition of our operations from Friends Life to Friends Provident Foundation, including staff terms and conditions, by the end of December 2013, then consolidate the Foundation's own systems and staff terms and conditions.**

**Partly achieved:** Transition from Friends Life was implemented, with new contractual terms and conditions agreed in June 2014. Reviews of Foundation systems and policies were undertaken; this was slowed by the recruitment of new staff and Trustees.

- 5 We will continue to develop our expertise, networks and collective thinking on economic resilience in order to meet our programme objectives.**

**Ongoing:** We are continuing to build our knowledge through engagement with grant-holders, attending their events and other activities in the field.

# Our giving programmes

## Building Resilient Economies

The Foundation launched its main grant-giving and investment programme, Building Resilient Economies, in April 2013.

The focus of the programme is to help build an economic system that distributes social and economic goods and services more fairly, balancing short-term and long-term needs more effectively.

We aim to work at two levels in this first period of the programme:

- 1 Systems change:** We will support work that has the potential to change the ways in which financial goods and services are delivered and valued. We want to explore and inform changes and innovation in regulation, policy and ways of working that will contribute to a more resilient economic system.
- 2 Building local economic resilience:** Our work at the local level will focus on initiatives that build economic resilience through increasing diversity and flexibility, and building local economic capacity. We wish to support the understanding and sharing of effective local practice, particularly focusing on local financial infrastructure and approaches.

## The Right Use of Money

Trustees regard this strand of our giving as a concern that overarches our work. The central questions that animate the Foundation relate to how financial systems can create and sustain social harmony whilst also delivering economic goods and services; our main programme, Building Economic Resilience, brings this concern to the forefront of our work.

The Foundation will continue to explore the Right Use of Money and support a small number of projects on aspects of the ethics of the financial systems that underpin our society.



## Grants awarded during the year

The Foundation received 72 applications from organisations seeking over £5,454,063 in total. This is a significant increase on the number of applications received in the previous year, and reflects the establishment of the Building Resilient Economies programme and our efforts to engage appropriate potential applicants.

Trustees made a total of **14 new grants**, with new financial commitments amounting to **£941,378**, once adjustments are taken into account. This represents a nearly 60 per cent increase on last year's giving.

**Read more about the grants awarded on the individual cards behind this review.**

## Publications

The wide dissemination of funded work is a key element of ensuring that it contributes toward the Foundation's charitable aims and public benefit objectives. A number of projects from the Foundation's previous programme of research into financial inclusion reached their conclusion this year:

*How much does 'free banking' cost? An assessment of the cost of using UK personal current accounts*, University of Bangor (December 2013)

*Does increased data sharing really benefit low-income consumers?* Church Action on Poverty (January 2014)

*Financial inclusion annual monitoring report*, CHASM, University of Birmingham (June 2014)

These publications are available through the Foundation's website ([www.friendsprovidentfoundation.org](http://www.friendsprovidentfoundation.org))

# Our financial resources and how we use them

## Ethical investment policy

The Foundation's investment policy reflects its continued commitment to ethical investment. Our resources are in ethically screened funds managed by **F&C Management Limited** to ensure that activities such as tobacco, armaments and gambling, and investments in companies and products that could harm society or adversely impact the name and reputation of the Foundation, are avoided. Furthermore, as more opportunities arise to pursue a positive ethical investment approach that delivers market rates of return, the Foundation will consider such investments, balancing the need for diversification and minimising management fees.

The Foundation maintains a facility to deposit cash it does not immediately require for operational purposes with **Triodos Bank NV**, thereby seeking to ensure the ethical management of the Foundation's cash as well as its investments.



Trustees have instituted a review of the Foundation's investment policy and approach over the course of this year, creating a panel of Trustees and reviewing our approach to investment and its place in the operational and governance principles of the Foundation. We have been helped by our membership of the **Charities Responsible Investment Network**, which is a project of ShareAction UK. It aims to support the growing number of trusts interested in being more effective stewards of our resources. Trustees also joined the **Church Investors Group**, supported by CCLA.

### **Social investment policy**

This year the Trustees decided to increase the percentage of our investible funds that can be devoted to social investments aligned with our mission from 5 per cent to up to 10 per cent. The primary aim of social investment is to pursue the Foundation's broad charitable objectives and focused programmatic objectives using financial instruments other than grants. The secondary aim of social investments is to produce a financial return.

**Read more about our social investments on the information card behind this review.**

# Objectives for 2014–15

1. The Foundation's staff and Trustees will efficiently and effectively support key projects with the potential to bring about change. The Foundation's aim is to be a key participant in work on economic resilience and financial systems.
2. The Foundation will identify key areas for intervention from its mapping of grants and social investments, with a view to commissioning work to fill gaps by June 2015.
3. The Board of Trustees will complete its review of investment objectives, approach, advice and managers.
4. Trustees will recruit and induct new trustees on to the Board by March 2015.
5. Trustees will review the relationship of the General Purposes Committee to the full Board of Trustees, to continue to define and clarify the fitness for purpose of Foundation governance arrangements.
6. The Foundation will continue to consolidate and further improve its administrative, grant-making and direct investment systems.



## Financial results

In 2013–14 the market value of the Foundation's investments increased from £28.8 million to £29.9 million. Investment income increased to just under £963,700. Expenditure on external grant commitments and associated support costs increased from £603,300 in 2013 to £1,137,600 in 2014.

### *Charitable activities to 30 September 2014*

	<b>Total 2014 (£)</b>	Total 2013 (£)
Costs of generating funds	<b>8,675</b>	7,245
Support for grant-making programmes	<b>1,100,649</b>	584,241
Governance costs	<b>28,291</b>	11,848
Total	<b>1,137,615</b>	603,334

### *Balance sheet as at 30 September 2014*

	<b>2014 (£'000)</b>	2013 (£'000)
Investment (market value)	<b>29,959</b>	28,595
Intangible assets	<b>–</b>	12
Equipment	<b>9</b>	3
Net current assets/(liabilities)	<b>350</b>	418
Long-term creditors	<b>(390)</b>	(273)
Total funds	<b>29,928</b>	28,755

## Trustees of Friends Provident Foundation

Jennifer Barraclough\*

Diane Coyle (resigned 11 March 2014)

Joycelin Dawes\* (Chair)

Joanna Elson (from 1 January 2015)

Jim Gilbourne\*

Rob Lake

Nick Perks (resigned 12 December 2014)

Hetan Shah (from 1 January 2015)

Jenny Shellens (resigned 12 December 2014)

Raj Thamoatham\*

Whitni Thomas

\* General Purpose Committee members

### Our purpose

Friends Provident Foundation is a grant-making charity controlled by its Trustees and independent of its original donor, the Friends Life group of companies. The Foundation was established in 2001 as part of the demutualisation of Friends Provident Life Office and the public listing of the company. It was endowed with unclaimed shares for the purpose of pursuing general charitable objectives. The Foundation provides grants and social investment in support of its objectives as well as actively engaging in policy and practice initiatives to bring about change in its fields of interest. The Foundation disseminates its findings widely through meetings and seminars with policy makers and practitioners, media work, publications and our website: [www.friendsprovidentfoundation.org](http://www.friendsprovidentfoundation.org).

## Further information

The Foundation website ([www.friendsprovidentfoundation.org](http://www.friendsprovidentfoundation.org)) includes:

- ☰ information on current grants and how to apply for funding;
- ☰ pdfs of all our published summaries and full research reports;
- ☰ the full annual accounts for 1 October 2013 to 30 September 2014;
- ☰ a list of staff and trustees.

## Contact us

The Administrator

Friends Provident Foundation

Tower House, Fishergate, York YO10 4UA

T: 01904 629675

E: [foundation.enquiries@friendsprovidentfoundation.org.uk](mailto:foundation.enquiries@friendsprovidentfoundation.org.uk)



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