

Friends Provident Foundation

Annual Report 2012–13

Highlights

Building Resilient Economies

Our new giving programme, Building Resilient Economies, took a significant leap forward this year with the first allocation of grants.

The programme aims to help build an economic system that distributes social and economic goods and services more fairly, and balances short-term and long-term needs more effectively. Drawing on learning from our earlier work, we are taking a two-pronged approach:

- ≡ **System change** We aim to support new thinking and innovation that will *fundamentally change* the current financial system, making it more responsive to people and planet. With this in mind, we will explore and support changes and innovative approaches to *regulation, policy and ways of working*.
- ≡ **Local economic resilience** We will support *local development* by testing and reviewing small-scale initiatives that aim to develop the robustness and sustainability of local economies. This might include creating *community assets*, or taking new approaches to *financing local needs*.

We are encouraged by the preliminary interest in the programme, and in 2012–13 grants were awarded to three promising projects. A list of all grants made is included on page 4 of this review.

The Right Use of Money

We firmly believe that financial systems can be designed to create social harmony while delivering economic benefits. We are supporting this ongoing priority through projects exploring the ethics of our society's financial system.

This abbreviated annual report reviews Friends Provident Foundation's work between October 2012 and September 2013, and outlines our plans for the next 12 months.

A review of the year

This has been my first year as Chair of the Board of Trustees, one I have found interesting, challenging and stimulating. The matters that make it interesting are also those that make it challenging and stimulating – developing our new giving programme, Building Resilient Economies, reviewing our strategy for applying all our resources to this end and establishing a firm operational base for the coming years.

The strong and sound development of our new programme builds on the reputation and experience gained from our previous grant programme, Financial Inclusion. An evaluation of that programme completed in early 2013 confirmed the importance of two factors, both of which underline the value of time:

- The time spent by trustees and staff in dialogue with grant applicants, and their careful consideration of the relevance of applicants' work to our programme objectives.
- The time spent by staff in committed discussion with and support of our grantees, helping them to develop their work and maximise its impact.

We are bringing the same approach to our current work in all its dimensions.

The Foundation is also considering how we can use our own resources in building a resilient economy. We are increasingly conscious of our role as an actor in the financial and economic system, and we believe we can go further than investing ethically. We are reviewing our portfolio of social impact investments to seek new opportunities that support our objectives. And we are actively pursuing opportunities to apply the time and expertise of our staff and trustees to the same end.

The Foundation is in the final phase of relocating our office base from within Friends Life, to York. The end of our 2012–13 financial year drew to a close the services agreement the Foundation has had with Friends Life since 2004. The next year will be a period for testing our new legal, HR, finance and administrative systems. We have also forged some new connections with Friends Life that we will take forward in the coming months.

I would like to take this opportunity to thank Friends Provident Foundation staff and my colleagues on the Board of Trustees for their committed work over the last twelve months, and welcome three trustees who have joined during this year: Jennifer Barraclough, Rob Lake and Raj Thamotheram.

Joycelin Dawes, Chair of the Board of Trustees

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).

Our activities and achievements in the past year

The Foundation's objectives for 2012–13, as specified by Trustees, were:

1 Implementation of the new giving programme, Building Resilient Economies, by early 2013.

Reflections: The new programme was implemented in April 2013, following the establishment of the new grant-making system and website. A video wall of views from key opinion formers was commissioned in September 2013 to inform Trustees and the sector as a whole.

2 Implementation of the various remaining facets of the Foundation's operational independence as monitored and overseen by our General Purposes Committee (GPC), including employment issues, the transfer of the financial function, and completion of a review of Foundation policies and procedures.

Reflections: Operational independence was completed by the end of September 2013 with the ending of the services agreement with Friends Life.

3 Commencement of governance and investment reviews.

Reflections: Trustees elected to reconsider the parameters of these reviews at their Away Day in October 2013 and plan the review process for next year.

4 Evaluation of our previous giving programme, Financial Inclusion, by the end of June 2013.

Reflections: The evaluation was completed in April 2013, and a summary is available at www.friendsprovidentfoundation.org/?p=606. The full report is available on request.



Grants made during the year

The Foundation received 19 applications from 17 organisations, which were seeking over **£1,942,000** in total. This relatively low number reflects the fact that the Foundation only opened its new, reactive funding stream in April 2013; for the first six months of the year it was not accepting any unsolicited applications.

Trustees made a total of 6 new grants, with new financial commitments amounting to nearly **£376,000** once adjustments are taken into account.

Financial Inclusion Programme

Two final grants continue the legacy of this programme:

Transact: Supporting community infrastructure

Grant-holder: Toynbee Hall
Funding: £150,000

A five-year programme to facilitate the on-going exchange of evidence, information and good practice by financial inclusion practitioners in non-specialist organisations. This complements the previous five-year grant to CHASM at the University of Birmingham to monitor financial exclusion through the reporting of progress toward or away from financial inclusion.

Opening up UK payments

Grant-holder: Kate Scribbins (trading as AnKa), with George and Lennard Associates
Funding: £9,100

To build on previous work on mobile payments, to prepare a response to HM Treasury's consultation on the regulation and governance of payments systems in the UK.

The Right Use of Money

Ethical Money Churches

Grant-holder: Ecumenical Council for Corporate Responsibility (ECCR)
Funding: £69,706

To build a community of people in UK churches who are seeking to fulfil their Christian stewardship and ownership responsibilities with regard to the money, savings and assets that are used either by them as individuals and/or on their behalf as members of church denominations.

Building Resilient Economies

The potential for money to be created for the common good

Grant-holder: Positive Money
Funding: £36,000

To increase understanding across civil society about the negative consequences of the way that money is created in our economy by the banking system through credit, and to encourage new thinking about how it could be different.

Helping Scotland to flourish sustainably

Grant-holder: Scottish Environment LINK
Funding: £104,000

To bridge the gap in the understanding of sustainable development between public, private and civic sectors in Scotland, and to foster understanding of the long-term economic, social and environmental benefits of achieving this aim in the context of fiscal reform.

Clore Social Leadership Programme

Grant-holder: Clore Social Leadership Programme
Funding: £35,000

To support a fellowship in the 2014 cohort of future civil society leaders who will work on some aspect of developing a more sustainable and just economic system.

Our financial resources and how we use them

Ethical investment policy

The Foundation's investment policy reflects its continued commitment to ethical investment approaches. Our resources are in ethically screened funds to avoid activities that could harm society or conflict with our mission. Our portfolio consists of holdings within the Stewardship range of funds managed by F&C Management Limited. The Foundation maintains a facility to deposit cash it does not immediately require for operational purposes with Triodos Bank NV.

Maximising investment impact

We also recognise that our investment portfolio can be a way to make a positive impact on the economic system. With this in mind we have joined with other charities in the Charities Responsible Investment Network to engage the companies we invest in to address business practices that we believe hinder the development of a resilient and fair economy. We have also started a review of our investments to maximise their beneficial impact.

Social investment policy

Trustees have agreed that up to 5% of our investible funds could be invested into instruments that further our general charitable objectives and specific programme aims. The Foundation's current social investments are: Ethex; Charity Bank; East Lancashire Moneyline (ELM); and the Ethical Property Company.

Social investment portfolio

The Foundation's social investment portfolio totals a commitment of £698,750 of directly invested funds; a total of £613,875 has been drawn down. A review by Triodos Bank Corporate Finance resulted in our decision to reflect a loss of value of £21,250 in Ethical Property Company shares in the statement of financial activities.

Management and advice

During the year, F&C Management Limited were our investment managers. Peter Jones, an independent investment adviser, provided general investment advice to the Trustees, and Kelly Clark of Marmanie acted as our social investment advisor. Wrigley's Solicitors LLB was retained to provide legal advice and support for HR functions.

Financial results

In 2012–13 the market value of the Foundation's investments increased from £26 million to £28.8 million. Investment income remained static at just under £0.9 million. Expenditure on external grant commitments and associated support costs decreased from £639,373 in 2012 to £596,089 in 2013.

Charitable activities to 30 September 2013

	Total 2013 (£)	Total 2012 (£)
Support for grant-making programmes	584,241	584,945
Governance costs	11,848	54,428
Total	596,089	639,373

Balance sheet as at 30 September 2013

	2013 (£'000)	2012 (£'000)
Investment (market value)	28,595	26,083
Intangible assets	12	3
Equipment	3	4
Net current assets/(liabilities)	418	36
Long-term creditors	(273)	(117)
Total funds	28,755	26,009

Objectives for 2013–14

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

- 1 The Foundation will effectively assess, award and manage grants in our new programme, Building Resilient Economies.
- 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.
- 3 Trustees will also define the scope of a review of Foundation governance arrangements to ensure they are fit for purpose.
- 4 Staff and Trustees will complete the full transition from Friends Life to the Friends Provident Foundation, including staff and terms and conditions, by the end of December 2013, then consolidate the Foundation's own operational systems and organisational terms and conditions.
- 5 We will continue to develop our expertise, networks and collective thinking on economic resilience in order to meet our programme objectives.

Trustees of the Friends Provident Foundation

Jennifer Barraclough*
Diane Coyle (resigned 1 March 2014)
Joycelin Dawes (Chair)*
Jim Gilbourne*
Rob Lake
Nick Perks*
Jenny Shellens
Raj Thamotheram*
Whitni Thomas*

* General Purposes Committee members (chair: Jennifer Barraclough). The General Purposes Committee, a sub-committee of the Board of Trustees, maintains oversight of administration, mainstream investment and social investment matters.



Further information

The Foundation website (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 2012 to 30 September 2013;
- a list of staff and trustees.

Contact us

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Friends Provident Charitable Foundation
Registered Charity No: 1087053
A company limited by guarantee.
Registered in England. Company No: 4228843