

# The London Community Foundation

Trustees' Report

and

Financial Statements

for the year ended

31 March 2016

Company No: 4383269

Charity No: 1091263

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## **Report of the trustees**

The trustees present their statutory report with the financial statements of The London Community Foundation for the year ended 31 March 2016. The report has been prepared in compliance with Part 8 of the Charities Act 2011. 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 charitable company's Memorandum and Articles of Association, applicable laws and the requirements 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 United Kingdom and Republic of Ireland (FRS 102), effective for accounting periods commencing 1 January 2015 or later.

The trustees' report is also a directors' report for the purposes of the Companies Act 2006 and other company legislation and meets the requirements for a strategic report as set out in the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013.

## **Legal and administrative information**

### **Name of charity**

The London Community Foundation (LCF)

### **Status**

Charity registered in England and Wales – number 1091263

Company limited by guarantee registered in England & Wales – number 4383269

### **Principal office and registered address**

Unit 7, Piano House  
9 Brighton Terrace  
London  
SW9 8DJ

### **Trustees**

The serving trustees on the date of approval of this report were:

|                        |   |
|------------------------|---|
| Francis W Salway       | Chair                                     |
| Martin E Richards      | Vice Chair                                |
| Christopher J L Samuel | Chair of Finance and Investment committee |
| Paul G Cattermull      |   |
| Gaynor Humphreys       |   |
| Rosanna M Machado      |   |
| Sanjay Mazumder        |   |
| W Rhys Moore           |   |
| Nicholas T J Reid      |   |

**Legal and administrative information (continued)**

**Trustees (continued)**

Other trustees serving during the period:

Davina E Judelson Resigned 24 August 2015

Clive D Cutbill Resigned 31 March 2016

**Principal officers**

The serving principal officers on the date of approval of this report were:

Russell Delew Chief Executive Officer, appointed 23 March 2016

Victoria L Warne Deputy CEO/Director of Programmes

Megan R Chidlow Finance and Operations Director/Company Secretary

Other principal officers serving during the period:

Sonal Shah Chief Executive Officer, resigned 7 March 2016

Lucinda Shaw Development Director, resigned 8 August 2015

**Auditor**

Buzzacott LLP  
130 Wood Street  
London  
EC2V 6DL

**Legal Advisors**

Bates Wells & Braithwaite  
2-6 Cannon Street  
London  
EC4M 6YH

**Bankers**

CAF Bank  
25 Kings Hill Avenue  
Kings Hill  
West Malling  
Kent  
ME19 4JQ

**Legal and administrative information (continued)**

**Bankers (continued)**

CCLA Investment Management Limited  
Senator House  
85 Queen Victoria Street  
London  
EC4V 4ET

Scottish Widows Bank  
67 Morrison Street  
Edinburgh  
EH3 8YJ

**Investment Managers**

Sarasin & Partners LLP  
Juxon House  
100 St Paul's Churchyard  
London  
EC4M 8BU

CCLA Investment Management Limited  
Senator House  
85 Queen Victoria Street  
London  
EC4V 4ET

### **Chair's statement**

The year under review saw us achieve our highest level of annual grant awards at £5.9 million, an increase of 15% over the previous year. We estimate that the 1,033 grants awarded will have touched the lives of over 96,000 Londoners.

However, the year was one of challenge as well as success. We learnt that the government had decided against renewing its programme of match funding for endowment giving to community foundations. This means that we are unlikely to see the same level of growth in endowment funds as we have over recent years. As endowment funds generate an ongoing income flow from the monies invested, they represent a highly sustainable source of income for the charity. We are fortunate that our level of endowment funds already stands at £17 million, but realistically we must now plan for a lower level of future growth in endowment funds.

This makes it pleasing that we achieved such a high level of donations for immediate grantmaking during the year. A major contribution towards this came from 'The Estate We Are In' initiative with the London Evening Standard Dispossessed Fund which attracted generous additional funding support from the government's Office for Civil Society, Citibank, Linklaters, Mount Anvil and Citygrove Securities. A total of £1.2 million was raised, which supported 96 grant awards to groups working on estates across London. The initiative started with work on the Angell Town estate in Brixton, which provided the catalyst for the campaigning journalism in the London Evening Standard and for the fundraising.

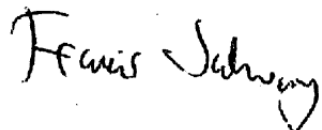
This initiative was high profile, but represents only part of what we do across London to support disadvantaged people over a range of issues such as pathways to employment, gang crime, social isolation, additional support for school age children, and mental ill health. The diversity of our work reflects the diversity of London and Londoners, and is mirrored by the diversity of our donors. We are supported by private individuals, companies, trusts, central and local government, social enterprises such as housing associations and this year, for the first time, a clinical commissioning group.

Our financial position continues to be sound. Our Board budgeted for a small annual deficit as we continue to invest resources in our development team for future growth. The actual financial performance was broadly in line with our budget and showed a modest deficit on unrestricted funds for the year of £69,000 (before revaluation of our investments, but after transfers between funds). Our free reserves stand at £847,000 which is in line with our current reserves target of £849,000.

A major event for us during the year was that Sonal Shah, our Chief Executive, made the decision to stand down to seek a new challenge after 11 years with the organisation and 7 years as our Chief Executive or Lead Director. We are enormously grateful to Sonal for all that she has achieved for us in increasing the scale and scope of the charity both through organic growth and through merger. We will miss Sonal and the way she has embodied the values and mission of the organisation. We are delighted to have appointed as our new Chief Executive, Russell Delew, whose career has been dedicated to the voluntary sector, most recently with Cancer Research UK, and who has an outstanding track record in fundraising.

I would also like to take this opportunity to thank Clive Cutbill who stood down as a trustee after 10 years. Clive is a leading charity solicitor and brought enormous value to our Board of trustees not only through his legal expertise, but also through his widespread knowledge of the charity sector.

My thanks also to our staff who have managed our highest ever level of grantmaking, and some very large individual grant programmes, with the same level of professionalism as they have become known for.

A handwritten signature in black ink that reads "Francis Salway". The signature is written in a cursive, slightly slanted style.

Francis Salway  
Chair

## **Objectives and activities**

**Our vision** is of a strong and generous London where residents, business, government and civil society are inspired to act for the benefit of all who live in their city, leading the way in social action and philanthropic activity.

**Our mission:** The London Community Foundation makes a difference to the lives of Londoners by connecting people who need help with those who are willing to give. We are dedicated to improving the lives of London's most disadvantaged. Child poverty, unemployment, isolation, homelessness, domestic violence and gang crime are just some of the issues we are tackling through our grantmaking. With the generosity and involvement of our donors, we have invested over £53 million into more than 10,500 charitable projects across the capital since we started in 1995.

The London Community Foundation (LCF) is not a traditional grantmaking trust or foundation. It represents a collection of citizens, companies, public bodies and existing trusts who each believe that they will achieve more working together and using our grassroots expertise than they could alone. We are the meeting place for many different donors, public and private, with differing interests and areas of concern. They tell us what they're worried about and the difference they want to make and we work to put that into action, linking donors' interests with needs on the ground as we know them.

### **LCF's objects, as defined in the Memorandum and Articles of Association are:**

1. The promotion of any charitable purposes for the benefit of the community in the Area of Benefit and in particular the advancement of education, the protection of good health both mental and physical, the relief of poverty and sickness and the provision, in the interests of social welfare, of facilities for recreation or other leisure time occupation with the object of improving the conditions of life of the persons for whom the opportunities and facilities are primarily intended.
2. Other exclusively charitable purposes in the United Kingdom and elsewhere with a preference for those which are in the opinion of the trustees beneficial for the Area of Benefit.

The 'Area of Benefit' for LCF is the London Boroughs and the City of London.

### **Our core activities are:**

1. **Funding charities, community groups and social enterprises with a focus on community based action and projects that do not attract mass public support.**

We strive to make the grantmaking process as supportive, fair and accessible as possible with a community development ethos underpinning our practice. We give to a wide range of registered charities and community groups, but prioritise community based projects and small/medium sized organisations for funding. LCF's 'Grantmaking Policy and Procedures' sets out the guiding principles, process for setting fund criteria, and procedures that are common to all of LCF's grant programmes.



### **Objectives and activities (continued)**

Whilst remaining responsive to donors' interests and wishes, we aim to uphold our core values and where possible, positively influence donors' approaches to giving.

- a. We use internal knowledge and research to identify need or priority areas in order to inform programme strategies and donors of the issues facing London's communities.
- b. Where possible, LCF recruits, trains and supports local residents and stakeholders to feed into the decision-making process and inform our work. Panel members play a crucial role in informing existing grantmaking practice and advising LCF staff and trustees on issues for future consideration.
- c. We endeavour to provide support to groups prior to the submission of applications. Organisations are encouraged to telephone LCF before making an application to discuss the most appropriate programmes for them and to discuss their project and their application. General guidance is given on the suitability of their project to individual funds and advice is given on how to put together an application.
- d. LCF endeavours to provide additional outreach and support to organisations, particularly those who are first time applicants, marginalised or hard to reach groups, or those where the group's leaders speak English as a second language.

## **2. Helping individual donors, companies, local and national government and trusts and foundations achieve their philanthropic or social responsibility goals.**

LCF offers the following types of funds for supporters:

- a. The Donor Advised Fund – where the donor's thematic or geographic priorities are matched by LCF to needs on the ground. Donors get involved in decision making around grants, this has been evidenced in our work with Evening Standard Dispossessed Fund and Comic Relief
- b. The London Community Foundation's Pooled Funds – which include LCF's own endowment, over which LCF has grantmaking discretion; Give London, which supports some pre-selected projects and will also regularly provide funds for those groups experiencing the greatest need; and the Catalyst Fund which supports our development costs.
- c. The London Community Foundation's Area Based Funds – which facilitate pooled giving to a local area. Examples include Lambeth Giving, Wandsworth Community Fund, Elephant and Castle Opportunity Fund and Love Kingston.

### **Objectives and activities (continued)**

#### **3. Building community assets (endowment) to provide a sustainable source of funding for communities in London.**

LCF aims to build community assets in the form of endowments which can respond to changing needs over time and provide a sustainable source of funding for charities and community organisations in London. As at 31 March 2016, LCF held £16.9 million (2015: £18.1 million) in endowment funds (the drop in value for endowment funds principally reflects the relatively high stock market values at the end of March in 2015 and the drop in value in the markets during the year to March 2016).

Endowment funds are raised primarily through:

- a. Individuals and companies that want to create a legacy for a particular geographic area or cause. The Community First Endowment Match Challenge initiated by Office for Civil Society offered an additional 50% on endowment gifts to LCF until March 2015, however this scheme was not replaced in 2016 impacting LCF's ability to grow its endowment further in the year.
- b. Trust transfers. Trusts can be transferred to LCF under the Boost Initiative, with LCF honouring the original objectives and/or reviving them for modern day needs. Trusts may be transferred if they have become dormant or ineffective, or if trustees feel that LCF will help to increase the impact of their charitable assets.

#### **4. Raising awareness of needs in London and the ways in which people can help.**

We continue to inform our donors and partners of the changing issues, challenges and opportunities facing local communities and the wider operating environment. Our site visits show "Another side of London" and introduce donors to some of the fantastic community groups and charities we support.

### **Structure, governance and management**

LCF is a company limited by guarantee and a registered charity governed by its Memorandum and Articles of Association.

The directors of the charitable company are its trustees for the purposes of charity law and throughout this report are referred to as the trustees.

## **Structure, governance and management (continued)**

### **Appointment, induction and training of trustees**

As set out in the Articles of Association, new trustees are appointed by the trustees. There are no powers of appointment or co-option by any external organisation. New trustees are identified through nomination by other trustees, recommendations from respected individuals and engagement with LCF through professional networks. The Executive sub-committee of the Board is responsible for nominations and makes recommendations to the full Board on appointments.

At 31 March 2016 LCF had nine trustees (maximum eighteen) and included people who were formerly trustees of the other London foundations which have merged with The London Community Foundation since 2011.

Prior to appointment, prospective trustees meet with the Chair, CEO and at least one other trustee as well as key staff if appropriate. New trustees receive a pack of information including the Memorandum and Articles, accounts, business plan, role description, Charity Commission and other literature, and are asked to complete a declaration of eligibility. Introductory briefings with the CEO and key staff are provided, and all trustees are asked to serve on at least one sub-committee.

### **Structure**

The trustees meet quarterly. Between these meetings business is conducted through the four sub-committees. These are the Executive, Programmes and Grants, Finance and Investment, and Development Committees.

**Executive Committee** comprises the Chair, Vice Chair, Chair of Finance and Investment Committee and other trustees as appropriate. The committee meets between four and seven times a year depending on needs. Its responsibilities include:

- coordinating the activities of other committees;
- reviewing and agreeing proposals from the CEO on planning and operational issues;
- submitting proposals to the Board;
- leading on governance and trustee recruitment;
- human resources including remuneration of staff;
- risk management;
- monitoring the performance of the CEO;
- recommending the budget, business plan and targets to the Board for approval.

The **Programmes and Grants Committee** meets four times a year and comprises a minimum of two trustees. It has ultimate authority, delegated by the trustees, to approve grants recommended by the panels. The committee also has the power to delegate authority to approve grants to senior staff where appropriate. Delegated authority currently sits with the CEO, Deputy CEO/Director of Programmes and Head of Programmes & Grant Operations for standard risk grants under £25,000.

## **Structure, governance and management (continued)**

### **Structure (continued)**

In addition, LCF invites individuals from the communities in which we work, to inform our grantmaking through funding 'panels'. These panels of volunteers make recommendations on grant awards by LCF. Trustees and staff wish to express their appreciation to the individuals involved in LCF's panels during the year.

The Programmes and Grants Committee leads on LCF's strategy for its interface with community, including grantmaking policy and practice.

The **Finance and Investment Committee** meets four times a year and comprises a minimum of two trustees. It is responsible for overseeing LCF's finances and investments. The committee is responsible for:

- financial policies and controls, investment and endowment spending policies;
- reviewing management accounts, budgets and forecasts;
- reviewing the draft statutory financial statements and recommending approval to the Board;
- receiving the reports of LCF's auditor;
- monitoring and reviewing the performance of LCF's investments;
- ensuring the Board is properly informed of LCF's financial position.

The **Development Committee** meets as necessary and comprises a minimum of two trustees. The committee leads on LCF's strategy for attracting new funds and raising profile.

Day-to-day operation of LCF is the responsibility of the CEO. The average number of staff employed during the year using a full time equivalent basis was 17 staff (2015: 19 staff).

The CEO reports formally to the Board every quarter on progress against targets and the business plan and presents proposals on forward strategy for discussion. Between quarterly meetings the CEO reports to the Executive Committee.

LCF is a quality accredited member of UK Community Foundations, the membership organisation that supports and promotes community foundations in the UK. There are 46 quality accredited community foundations serving most of the UK population. With endowment funds of around £500 million, over 15,000 donors and annual grantmaking averaging £50 million, the network is one of the UK's most significant grantmakers.

LCF does not have branches or any subsidiaries other than the Pedlar's Acre Trust and the Beaufoy Trust both of which hold permanent endowment and have LCF as their sole trustee.

## **Public benefit**

### **Public benefit statement**

Trustees of a charity have a duty to report in their Annual Report on their charity's public benefit. The trustees of LCF have considered the public benefit requirements which are explained on the Charity Commission website.

The sections of this report entitled '2015-16 objectives activities, achievements and performance' and 'Future plans' set out LCF's objectives and report on the activity and successes in the year to 31 March 2016 as well as explaining the plans for the current financial year. LCF's work benefits a wide range of community and voluntary sector organisations and their beneficiaries.

The trustees have considered this matter and concluded:

1. that the aims of the organisation continue to be charitable;
2. that the aims and the work done give identifiable benefits to the charitable sector and both indirectly and directly benefit individuals in need;
3. that the benefits are for the public and are not unreasonably restricted in any way and certainly not by ability to pay; and
4. that there is no detriment or harm arising from the aims or activities.

## **Strategic Report**

### **2015-16 objectives, achievements and performance**

While LCF has continued to focus fully on core work of developing programmes and raising new grantmaking funds in 2015-16, the year has been in part a period of transition in the lead up to the change in CEO - the change coinciding with the final year of our 5 year business plan.

However In a challenging economic period we are delighted to have built on previous successes and increased our grantmaking by 15% on the previous year. We have also invested in systems that will allow us to better demonstrate our impact in future years.

We report below against our strategic objectives (outward facing objectives):

**2015-16 objectives, achievement and performance (continued)**

**Strategic objective 1 – FUNDING FOR LONDON**

**To maintain and grow the level of funds under The London Community Foundation’s management for the benefit of communities across London.**

Secure a minimum of £5 million per annum for grantmaking. Improve long term sustainability of income through building endowment funds and significantly increasing the number of private individual donors

**Performance highlights:**

- a. Raised £6.2 million grantmaking income (being restricted income raised in the year and excluding investment income) to be spent on grantmaking and associated projects against a target of £5 million, with 1,033 grants awarded in the year totalling £5.9 million.
  
- b. 158 funds managed with an average grant size of £7,389 made to organisations. The average grant made to individual recipients is £487. Grants awarded can be categorised under the following thematic areas:
 

|  |     |
|--|-----|
| • Physical and mental health, wellbeing and safety                             | 26% |
| • Life skills, education, employability and enterprise                         | 26% |
| • Strengthening community cohesion and building social capacity                | 17% |
| • Reducing isolation and disadvantage, and increasing access to local services | 16% |
| • Connecting people with the arts, culture and heritage                        | 13% |
| • Access to and engagement with the environment and public spaces              | 2%  |
  
- c. 2,917 applications received (2015: 2,723), totalling over £36.6 million in requests (2015: £20.8 million).
  
- d. Over 96,000 anticipated beneficiaries, the primary age groups benefitting from funded activities being:
 

|  |     |
|--|-----|
| • All age groups (community-wide activities) | 28% |
| • Aged 26-64                                 | 26% |
| • Aged 12 and below                          | 26% |
| • Aged 13-18                                 | 10% |
| • Aged 65 and over                           | 5%  |
| • Aged 19-25                                 | 5%  |

**2015-16 objectives, achievement and performance (continued)**

**Strategic objective 2 – PROGRAMMES AND GRANTS:**

**To ensure that the Foundation’s community investment responds to identified local needs and is delivered to a high standard, maximising our community impact.**

**Performance highlights:**

**a) Maintaining diversity of grant size and type, and offering both reactive and strategic funding opportunities**

Our partnership with the London Evening Standard on the “Dispossessed Fund” has enabled us to offer a number of larger grants up to £20,000 to locally based organisations working on estates or particular areas of housing across the capital. The initial focus of the fund on Angell Town in Lambeth, was inspired by our previous community development initiative, Building Communities in Coldharbour, where we worked with residents over three years to develop community-led solutions to local issues. On Angell Town, we worked with residents and local organisations to understand their priorities, enabling us to commission a number of activities directly whilst also running an openly advertised grant programme for others working in the area.

We’ve continued to advocate for multi-year funding with our donors and have been pleased that a number of our individual and corporate donors have awarded multi-year grants during the year, many for the first time. We’ve also been delighted to develop a relationship with Lambeth Clinical Commissioning Group (CCG), developing an area-based community grants programme addressing health, wellbeing and isolation. Our ongoing partnerships with Comic Relief and corporate donors such as Deutsche Bank and Segro, have enabled us to continue to offer a range of grant opportunities to groups across London, with grants typically ranging between £5,000 and £20,000.

We’ve also been pleased to offer grants to individuals through our continued partnership with Affinity Sutton Housing. Through their Ready2Work scheme, grants have supported residents to access vocational work placement opportunities, training and employment, as well as offering start up grants for new business ideas.

**b) Impact Assessment Framework**

We successfully launched our new Impact Assessment Framework in 2015, collecting vital impact data from our grantees that will better enable us to collate and demonstrate the Foundation’s impact and that of our donors and supporters, in the form of an impact report in 2017. The framework pulls together all of our grantmaking under 6 overarching thematic areas, noted on page 14, under which applicants select outcomes and indicators that they aim to achieve through their work and report against a year later.

## **2015-16 objectives, achievement and performance (continued)**

We hope that over the coming year, the data will also better enable some of our smaller grantees in particular to track and demonstrate their impact to other funders – we are conscious of the role we can play in supporting smaller groups to be able to compete for funds in an increasingly challenging funding environment, but equally to strike a balance and not to place too many demands on the community groups and charities we support.

### **c) Outreach and grantee support**

We continue to promote our funding opportunities to groups and charities across London, attending 13 “meet the funder” events in 2015-16, attended by over 300 organisations. We’ve also continued to support groups to apply for grants at these events as well as offering telephone support throughout the year.

Demand for capacity building support continues, including advice on fundraising, evaluation, project planning and financial management. We were particularly pleased to have been able to offer additional capacity building support for grantees through four of our Funds - the Evening Standard Dispossessed Fund, Lambeth Community Fund, Elephant and Castle Fund and the Westminster Fund.

### **Strategic Objective 3 – PROFILE AND PUBLIC RELATIONS**

**To encourage giving through the Foundation from private and public sources** – positioning LCF as the ‘go to’ place for those interested in supporting local charities and grassroots organisations across London.

- a. Secured 238 (2015: 302) unique donors giving across London:
  - Including 8 giving over £250,000 (2015: 6)
  - Including 27 giving between £25,000 and £249,000 (2015: 35)
  - Including 24 giving between £5,000 and £24,999 (2015: 15)

The reduction in the number of donations between £25,000 and £249,999 is due to LCF having match funding available for new endowments in 2014-15 which increased the donations received in that year. The scheme was no longer available in 2015-16, however more larger funds for immediate grantmaking were raised in 2015-16 than in the previous year.

- b. LCF were represented by a team of runners in both the Virgin Giving Marathon and Prudential Ride London in the year. Both teams raised money for LCF through sponsorship activity.



**2015-16 objectives, achievement and performance (continued)**

**Strategic Objective 4 – THOUGHT LEADERSHIP**

**To establish and demonstrate the Foundation’s leadership role**

**a. Path Programme**

Following the expansion of our Path programme in 2015, we have continued to work with and support a portfolio of groups in Camden, Brent and Lambeth, co-ordinated by Safer London Foundation, to support young people to exit gangs. Scott Flynn Associated were commissioned to evaluate the programme with their report due at the end of this year, and this will enable us to assess whether a localised approach is having an impact on this field and capture learning that will help shape the future strategy of the programme.

**b. Themed Funds**

During the year, we began work on developing a number of themed funds where we had identified clear community need and where we believed we could attract greater philanthropic investment. Through this work we identified a greater opportunity for The London Community Foundation to bring donors together to meet community need. This larger project is currently in development with a launch expected at the start of the 2017-18 financial year.

## **Financial review**

### **Income**

Total income for the year 2015-16 was £7,509,000 against £8,131,000 in 2014-15, of which £6,636,000 (2014-15 £7,157,000) came from donations from a wide range of donors including trusts and foundations, local authorities, companies and individuals. Looking at these results in more detail:

- Unrestricted income for the year 2015-16 is £851,000, £56,000 higher than in 2014-15 due in part to the successful programme in partnership with London Evening Standard – ‘The Estate we are in’.
- Restricted voluntary income received for the year 2015-16 was £5,936,000 compared to £4,643,000 in 2014-15. This increase reflected funds for ‘The Estate we are in’ as well as funds received from the Mayor's Office for Policing & Crime available to organisations supporting victims of crime and from the Cockayne Foundation to support art as a way of enriching life experience.
- Donations towards new endowment funds received during the year 2015-16 totalled £67,000 compared to £1,926,000 in 2014-15. 2014-15 was the final year of the Community First Endowment matching scheme where new donations attracted government match funding. No match funding scheme was available in 2015-16, making endowment funds less attractive to donors.
- Investment income has increased to £629,000 during 2015-16 from £570,000 in 2014-15, this increase is due to the new Community First endowment funds invested by the end of 2014-15.
- Income from charitable activities is £243,000 in 2015-16 compared to £402,000 in 2014-15. The income in both years comes from two local area community focused partnerships with Big Local Trust in North Brixton and Marks Gate in Barking and Dagenham. Receipts of this funding depend on the planned activities each year set by each local community panel.

### **Expenditure**

The Statement of Financial Activities shows our expenditure analysed between the costs of raising funds and the cost of our charitable work, with support costs (including governance costs) being allocated across each.

‘Charitable activities’ represents all grants made to beneficiaries, as well as expenditure on community development within the two programmes being run with Big Local Trust. It also includes the cost of running the grantmaking programmes and associated support costs. Grants awarded in 2015-16 totalled £5,929,000 compared to £5,159,000 in 2014-15. The increase is across a range of funds and includes £1.2m granted under ‘The Estate we are in’ programme.

## **Financial review (continued)**

### **Expenditure (continued)**

LCF's main cost is that of staff which represented 63% of LCF's expenditure excluding grant awards in 2015-16 (2014-15: 62%). Staff costs are allocated to the costs of raising funds and charitable activities based on time spent on these activities. Support staff costs are allocated in a similar manner. Staff costs have decreased to £740,000 from £774,000 reflecting the decreased headcount to 17 average full time equivalent staff (2014-15: 19).

### **Cashflow**

LCF's cash balances (excluding any cash held by the investment managers) have decreased to £3,361,000 during 2015-16 from £4,494,000 at the end of 2014-15, reflecting a parallel increase in debtors at the year end date, due to timings of receipts around year end for regular funds. Cash held by LCF mainly represents restricted funds held for the purposes of grantmaking and of this balance £3,040,000 represented restricted and endowment funds (2015: £4,038,000). LCF works with donors to set a timetable for spending restricted funds, various factors determine the length of time funds are held in cash, including needs of the community and grant applicants, as well as internal resources and planning.

At the end of 2015-16 £321,000 of the cash balances represented unrestricted funds (2015: £456,000). The remaining part of free reserves of £846,000 are invested. These are funds, held under the reserves policy, which are not expected to be needed in the short term and can be invested to generate a higher return than current interest rates allow.

### **Diversity of income and financial sustainability**

Whilst the trustees are satisfied with the results for 2015-16 and especially with the increased income available for grantmaking, we anticipate the next year will continue to be challenging. Over the past few years, like many charities, we have been adapting to an environment in which there are less significant multi-year opportunities available providing less certainty and stability around funding.

To meet these challenges we have focused on diversifying our income and reducing our reliance on government grant programmes. This has been a key part of our sustainability and growth strategy and our success is illustrated both by the increase and diversification of income since 2009. Our business plan set out that by 2016, no one programme should contribute more than 20% of Foundation income or 35% of Foundation grantmaking. Whilst we are within both the grantmaking and programme goals for 2015-16, we note that income across the three separate Comic Relief programmes represented 21% of restricted and unrestricted income in the last year (2015: 23%). There is work still to do but we are heading in the right direction.

## Financial review (continued)

### Investments

LCF's investment managers are Sarasin & Partners LLP and CCLA Investment Management Ltd. LCF has set a clear investment policy which is driven by LCF's principles. This policy is reviewed annually and is consistent with trustees' responsibilities under the Charities Act.

In setting the performance criteria against which the performance of the investment portfolio is managed, the aim is to achieve long-term capital and income growth, whilst also providing a reasonable level of income annually. The investment managers' performance and the degree of risk considered appropriate for LCF's investments are reviewed each year.

At 31 March 2016 the funds invested at Sarasin & Partners LLP, comprising all LCF's endowment funds except those held under the Communities First scheme, as well as some of LCF's unrestricted reserves, were valued at £13,041,000 (2015: £13,915,000). Investments held in the Communities First scheme and invested with CCLA were valued at £4,459,000 (2015: £4,689,000). The total value of funds invested, including cash held by investment managers for re-investment, amounted to £17,524,000 (2015: £18,665,000).

The portfolios at both Sarasin & Partners LLP and at CCLA are invested in the investment managers own pooled funds with underlying holdings in a broad spread of international "blue chip" equities, fixed income stocks and alternative investments. The total investment performance of the funds and the benchmark are shown below.

|                              | Total investment performance in year to 31 March 2016 (net of fees and costs) | Total investment performance in year to 31 March 2015 (net of fees and costs) | Total investment performance annualised three year return to 31 March 2016 (net of fees and costs) |
|------------------------------|---|---|--|
| Sarasin & Partners LLP       | -3.0%   | +12.6%  | +6.2%  |
| CCLA                         | -0.4%   | +13.3%  | +6.5%  |
| WM Total Charities benchmark | -0.2%   | +12.3%  | +6.0%  |

The Finance and Investment Committee reviews investment performance and is satisfied with the longer term performance. The committee notes that the fall in values for the year to 31 March 2016 is consistent with general market movements. LCF takes a long term view and measures the long-term performance against the WM Total Charities benchmark - a standard indicator of relative performance used by the investment industry and charities. Both Sarasin and CCLA provide quarterly reports and present to the Finance and Investment Committee at least once a year.

## **Financial review (continued)**

### **Investments (continued)**

Since the 31 March 2016 LCF has made the decision to move to a more even balance of funds invested with each of the two investment managers; this has been done by moving around £4 million of the funds held at Sarasin & Partners LLP to CCLA.

### **Reserves policy**

LCF holds the following types of reserves:

**Endowment reserves** comprise capital sums donated under the restrictions that they are invested and that the investment return is available for expenditure in accordance with the donors' strategies for giving. Within the category of endowment are two sub categories: expendable and permanent endowment. The capital amounts of expendable endowment may be spent if the trustees decide to do so. The capital of permanent endowment may not be spent. Endowment reserves at 31 March 2016 stood at £16,933,000 (2015: £18,110,000).

**Restricted reserves** comprise funds available for expenditure in accordance with the donors' strategies for giving. Donations are typically spent over 1-2 year periods. Restricted reserves at 31 March 2016 stood at £3,625,000 (2014-15: £2,908,000).

**Designated reserves** are funds set aside from unrestricted reserves at the discretion of the trustees and comprise:

- **Tangible assets:** being the net book value of the leasehold improvements to the rented offices of LCF, as well as any office or IT equipment which LCF has capitalised in line with its accounting policy. The value of the assets at 31 March 2016 was £51,000 (2015: £73,000).
- **The Growth Fund:** this fund was designated in 2010 to cover the cost of additional investment in our development team with a view to growing future income. The fund was fully utilised by the end of 31 March 2016.

**Free reserves** which are the balance of LCF's unrestricted reserves that have not been designated for a particular purpose and as such are freely available to the trustees for any of the charity's purposes. The free reserves held at 31 March 2016 were £847,000 (2015: £875,000). The decrease reflects the unrealised investment loss on unrestricted funds of £29,000 during the year.

Trustees review LCF's reserves policy and reserves levels annually as part of the planning process. The level of reserves is one of the factors taken into consideration in setting future expenditure levels. The trustees have agreed a policy where free reserves should be maintained at a level representing 6 months of planned future unrestricted expenditure in addition to 3 years of property lease costs. This level is judged necessary after considering the following factors:

## **Financial review (continued)**

### **Reserves policy (continued)**

- The uncertainty of income. A relatively small proportion of LCF's income can be guaranteed beyond one year as few of our donors are in a position to commit to funding further ahead than one year. Free reserves at this level enable us to plan for the longer term and to utilise our resources more efficiently.
- Holding of endowment. LCF holds over £16.9 million of endowment funds, of which just under £4 million are permanently endowed; LCF's free reserves are intended to allow us to guarantee our sustainability and ability to manage endowed funds into the future.
- Holding of restricted funds. At any point LCF often holds in the region of £2 to £4 million of restricted funds intended for grantmaking across a wide range of funds, the reserves policy must ensure LCF has sufficient reserves to fulfil the intentions of the donors in regards to distributing the grantmaking funds held.
- Planning in the longer term. LCF operates a five year planning process in order to allow a long term strategy.

LCF's level of free reserves as at 31 March 2016 was £847,000. This amount is in line with the figure calculated under the reserves policy, described above, which suggests a value of £849,000 was needed at 31 March 2016. The trustees are comfortable with the level of reserves held at the current time, given the continuing uncertainty over future income levels.

### **Pedlar's Acre Trust**

LCF took over the trusteeship of the charity Pedlar's Acre Trust from Lambeth Council in 2009, the assets of this trust comprise permanent endowment. LCF applied to the Charity Commission for the power to use a total return approach in regard to the fund's investments and this power was granted on 17 January 2011.

The total return approach to investment allows LCF to utilise some of the capital growth of the fund for current grantmaking, instead of only being able to use the investment income received. The power allows the charity to have an investment strategy aimed at maximising return without needing to ensure a significant part of the return is in the form of income rather than capital growth.

The trustees have a duty to maintain even-handedness in regard to supporting both current and future beneficiaries and will only use the power to spend the capital growth to the extent that the ability to support future beneficiaries will not be prejudiced.

### **Beaufoy Trust**

LCF took over the trusteeship of the charity Beaufoy Trust from Lambeth Council in July 2013, the assets of this trust comprise permanent endowment. LCF does not currently operate a total return approach in regard to the fund's investments.

## **Financial review (continued)**

### **Endowment spending policy**

LCF's policy regarding expendable endowments is to allocate a set percentage of the value of each fund at December each year for expenditure on grants and direct charitable expenditure in the next financial year. The trustees review this policy at least every three years and during 2015-16 the percentage used was 3.75% of fund value.

The expenditure of the investment return of any permanent endowment where a total return approach has been agreed with the Charity Commission, is set by LCF at 3.5% (2014-15: 3.5%) of the value of the fund at December each year. If the trustees judge that a higher or lower amount would better fulfil the duty of being even-handed in the treatment of present and future beneficiaries of the fund, the amount may be varied in future decisions. The trustees expect to spend a total of 3.5% on grantmaking in the coming year for the permanent endowment fund 'Pedlar's Acre Trust' which has a total return approach agreed.

For permanent endowments where no total return approach is agreed, only the income arising from the fund may be spent.

### **Executive remuneration**

#### **Remuneration policies**

LCF had on average 17 full time equivalent staff during 2015-16. Salaries are reviewed and agreed annually by LCF's Executive Committee, a sub-committee of our Board of trustees. Recommendations for annual changes to existing staff salaries are made to the Executive Committee by the Chief Executive in consultation with relevant line managers. The recommendations for the Chief Executive's salary is made by the Chairman to the Executive Committee. In extraordinary circumstances, there is the opportunity to increase the pay of an individual outside the formal annual review. Salaries are set with reference to the salary band set for each role and annual salary review takes into account factors including inflation, individual performance and LCF's financial position. Salary bands are openly stated in job advertisements. Bands are set using voluntary sector benchmarking for the role, giving consideration to the skills and experience required, the market value for similar roles and LCF's financial position.

## **Executive remuneration (continued)**

### **Our approach to pay**

LCF employs people on the basis of the specific skills, knowledge and behaviours that they bring to their particular role and to the success of LCF as a whole. We employ a flexible approach - depending on the needs of the business and of individual roles at any one time, we may recruit at the top of a band or towards the lower end to allow for emerging talent and for scope to grow. We want to reward staff fairly for the jobs that they do and we believe that our salaries and additional benefits, such as a 10% contributory pension, holiday entitlement, flexible working and maternity pay reflect this. LCF is a London Living Wage-accredited employer, meaning all our staff and contractors are paid at least the London Living Wage.

### **Remuneration of key management personnel**

The trustees consider that they, together with the charity's Senior Management Team, comprise the key management of the charity in charge of directing and controlling, running and operating the charity on a day to day basis.

LCF's Senior Management Team comprises the outgoing and incoming Chief Executives, Deputy Chief Executive/Director of Programmes, Development Director and Finance and Operations Director. The combined pay of these five roles for 2015-16 was £176,044 (2014-15: £198,576). Three of the roles worked part time with average paid hours of 31.5 for the outgoing Chief Executive, 24 for the Finance and Operations Director and 33 for the Development Director. All of the team were members of the pension scheme in the year to 31 March 2016, apart from the incoming Chief Executive. The decrease in costs reflects the Development Director role being vacant for a large part of the year as LCF opted to postpone recruitment until after the change of CEO.

The contribution rate of the company is a maximum of 10% offered to staff on a £2 to £1 basis matching the employee's contributions. Pension contributions for the senior management team staff totalled £16,678 during 2015-16 (2014-15: £19,655).

The trustees of the charity receive no remuneration in respect of their services to the charity.

### **Pay ratio**

The ratio of our highest salary rate to our median salary is 2.7:1.



## **Future plans**

LCF's future plans are laid out in full in the 2011-16 business plan. During the coming year we will be reviewing and refining our strategy for the next 5 year business plan cycle.

In summary our outward facing objectives are:

### **1. FUNDING FOR LONDON:**

To maintain and grow the level of funds under The London Community Foundation's management for the benefit of communities across London. Secure a minimum of £5 million per annum for grantmaking. Improve long term sustainability of income through building endowment funds and significantly increasing the number of private individual donors.

### **2. PROGRAMMES AND GRANTS:**

To ensure that the Foundation's community investment responds to identified local needs and is delivered to a high standard, maximising our community impact. Ensure breadth and range of programmes, improve demonstration of impact, and where appropriate, integrate capacity building and a community development approach within our programme development.

### **3. PROFILE AND PUBLIC RELATIONS:**

To encourage giving through the Foundation from private and public sources – positioning LCF as the 'go to' place for those interested in supporting local charities and grassroots organisations across London.

### **4. THOUGHT LEADERSHIP:**

To establish and demonstrate the Foundation's leadership role through programme innovation and by shaping and influencing the development of donors' giving.

## **Principal risks and uncertainties**

The trustees consider the major risks to which LCF is exposed by conducting a risk review as part of the business planning process and the maintenance of a risk register which is updated at least annually. Risk is also considered at the trustees' quarterly meetings and by relevant sub-committees, where specific risks require consideration. The trustees are satisfied that procedures are in place to manage or mitigate the impact of the significant risks they have identified.

The risk register of LCF is updated and reviewed annually as part of the business planning process with active risk management in place across six areas: finance and investment, staffing, governance, grantmaking, systems and operations and external relations.

The main risks identified in 2015-16 are shown below, along with the ways the risks are being mitigated:

**Principal risks and uncertainties (continued)**

- 1 Shortfall of income against costs:** The result of this would be an erosion of reserves, reduced sustainability and a contraction of the organisation. The LCF trustees have come to the end of a 5 year strategy of investment into development with a small annual operating deficit, which was funded from a designated reserve. Going forward the aim is to reduce the annual deficit significantly and reach a small surplus by 2018-19. Our monthly management accounts and development pipeline help to monitor progress and flag concerns that then feed into the annual business plan and budget setting for subsequent years. Linked with this are risks around insufficient long term funding, a drop in unrestricted income and growth of small funds which are costly to run. All of these are actively managed through our development activity which is prioritising multi year commitments, larger funds, endowment building and catalyst fund donations. Our focus is to invest in relationships with our existing donors and fundholders, maintain and grow these funds and secure additional long term growth. In the event of a material unplanned shortfall of income against costs, our protection would involve a combination of reducing our cost base and utilising some of our free reserves.
- 2. Inefficient and unsustainable growth:** Whilst we are delighted with our success in developing new funds for communities across London, we are acutely aware that the increasing number of small, varied and complex funds under LCF's management put a strain on capacity and resourcing within the team. This, in turn, prevents us from pursuing larger opportunities which are essential to our operation. Much of the trustee discussions in recent years have been focused on how we manage that risk through simplification and streamlining of our products. We aim to implement changes to the way we work in 2016-17.
- 3. Developing a professional, high performing and knowledgeable team for LCF:** One of the main values and components of LCF is the knowledge held within the team regarding local groups, initiatives and area needs, as well as the teams ability to add value and assess impact. As we build on these core strengths, LCF will continue to share knowledge and skills and, where necessary, add capability to the team.

## Statement of trustees' responsibilities

The trustees (who are also directors of The London Community Foundation for the purposes of company law) are responsible for preparing the trustees' report and financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charity and of the income and expenditure of the charity for that period.

In preparing these financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing the accounts in accordance with the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102);
- make judgements and estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in operation.

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 financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

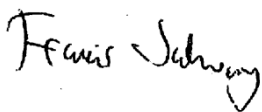
Each of the trustees confirms that:

- so far as the trustee is aware, there is no relevant audit information of which the charity's auditor is unaware; and
- the trustee has taken all the steps that ought to have been taken as a trustee in order to be aware of any relevant audit information and to establish that the charity's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

The trustees are responsible for the maintenance and integrity of financial information included on the charity's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The trustee's report, incorporating a strategic report, was approved by order of the Board of trustees, in their capacity as the charitable company directors, and signed on the Board's behalf by:



Francis Salway  
Chair



Dated

## **Independent auditor's report to the members of The London Community Foundation**

We have audited the financial statements of The London Community Foundation for the year ended 31 March 2016 which comprise the statement of financial activities, the summary income and expenditure account, the balance sheet, the statement of cash flows, the principal accounting policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice, including FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland).

This report is made solely to the charitable company'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 charitable company'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 charitable company and the its members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of trustees and auditor**

The trustees are also the directors of the charitable company for the purposes of company law. As explained more fully in the statement of trustees' responsibilities set out in the trustees' annual report, the trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the charitable company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the trustees' report including the strategic report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 March 2016 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.

**Independent auditor's report to the members of The London Community Foundation  
(continued)**

**Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the trustees' annual report including the strategic report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Matters on which we are required to report by exception**

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

- adequate 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 specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

*Buzzacott LLP*

Catherine Biscoe, Senior Statutory Auditor  
for and on behalf of Buzzacott LLP, Statutory Auditor  
130 Wood Street  
London  
EC2V 6DL

*1 November 2016*